

To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 5 July 2024 at 10.30 am

Virtual Meeting

If you wish to view proceedings online, please click on this [Live Stream Link](#).
However, that will not allow you to participate in the meeting.



Martin Reeves
Chief Executive

Date Not Specified

Committee Officer:

Committee Services

Tel: committeesdemocraticservices@oxfordshire.gov.uk

Membership

Chair – Matthew Trebilcock

Scheme Member Representatives:

Alistair Bastin	Stephen Davis	Liz Hayden
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Employer Representatives:

Angela Priestley-Gibbins	Susan Blunsden	
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Notes:

- ***Date of next meeting: 18 October 2024***

AGENDA

1. **Welcome by Chairman**
2. **Apologies for Absence**
3. **Declarations of Interest - see guidance note below**
4. **Minutes** (Pages 1 - 8)

To approve the minutes of the meeting held on 03 May 2024 and to receive information arising from them.

5. **Unconfirmed Minutes of the Last Pension Fund Committee**
(Pages 9 - 20)

To receive the unconfirmed minutes of the Pension Fund Committee meeting held on 7 June 2024.

6. **Annual Report of the Pension Board** (Pages 21 - 26)

This report presents the work of the Board for the 2023/24 financial year. The annex on training undertaken by Board members is currently being compiled and will be circulated to Board members to be checked for accuracy and completeness before final publication.

The Board are **recommended** to approve the report (with any amendments as they deem appropriate) for inclusion in the Fund's Annual Report and Accounts to be published later this year.

7. **Review of Annual Business Plan** (Pages 27 - 34)

The Board are invited to review the position against the Annual Business Plan for 2024/25 as considered by the Pension Fund Committee at their meeting on 7 June 2024 and to offer any comments to the Committee.

8. **Risk Register Report** (Pages 35 - 42)

This is the latest risk register as considered by the Pension Fund Committee on 7 June 2024. The Board are invited to review the report and offer any further views back to the Committee.

9. **Governance and Communications Report** (Pages 43 - 48)

The Board are invited to review the Governance and Communications Report as presented to the Committee at their meeting on 7 June 2024. The report includes a log of all regulatory and data breaches.

10. **Governance and Communication Policy Reviews** (Pages 49 - 84)

The board are invited to review the report presented to the Committee on 7 June 2024 which brought the following reviewed policies for Committee approval:

- Communications Policy
- Governance Policy
- Governance Compliance Statement
- Regulatory Breaches Policy

11. Administration Report (Pages 85 - 96)

The Board are invited to review the latest Administration Report as presented to the Pension Fund Committee on 7 June 2024, including the latest performance statistics for the service.

12. Fund Cashflows and 2025 Triennial Valuation (Pages 97 - 168)

This report sets out the context for the 2025 Fund Valuation, the Valuation timetable, key questions which need to be addressed, and the projected cash flow for the Fund and the inter-relationships with the various decisions to be made through the Valuation process.

The Board are invited to review the Fund Cashflows Report as presented to the Pension Fund Committee on 7 June 2024.

13. Items to include in the Report to the Pension Fund Committee

The Board are invited to confirm the issues they wish to include in their latest report to the Committee.

14. Items to be included in the Agenda for the next Board Meeting

Members are invited to identify any issues they wish to add to the agenda of the next meeting of this Board.

Councillors declaring interests

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed 'Declarations of Interest' or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your employment; sponsorship (i.e. payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member 'must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself' and that 'you must not place yourself in situations where your honesty and integrity may be questioned'.

Members Code – Other registrable interests

Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your other registerable interests then you must declare an interest. You must not participate in discussion or voting on the item and you must withdraw from the meeting whilst the matter is discussed.

Wellbeing can be described as a condition of contentedness, healthiness and happiness; anything that could be said to affect a person's quality of life, either positively or negatively, is likely to affect their wellbeing.

Other registrable interests include:

- a) Any unpaid directorships
- b) Any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority.

- c) Any body (i) exercising functions of a public nature (ii) directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Members Code – Non-registrable interests

Where a matter arises at a meeting which directly relates to your financial interest or wellbeing (and does not fall under disclosable pecuniary interests), or the financial interest or wellbeing of a relative or close associate, you must declare the interest.

Where a matter arises at a meeting which affects your own financial interest or wellbeing, a financial interest or wellbeing of a relative or close associate or a financial interest or wellbeing of a body included under other registrable interests, then you must declare the interest.

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied:

Where a matter affects the financial interest or well-being:

- a) to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest.

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

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Agenda Item 4

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 3 May 2024 commencing at 10.30 am and finishing at 12.17 pm

Present:

Voting Members: Matthew Trebilcock – in the Chair

Stephen Davis
Liz Hayden
Angela Priestley-Gibbins
Susan Blunsden

Other Members in Attendance: Councillor Bob Johnston

Officers:

Whole of meeting Sean Collins (Service Manager (Pensions, Insurance & Money Management), Greg Ley (Financial Manager - Pension Fund Investments), Anna Lloyd (Governance and Communications Officer), Mukhtar Master (Governance & Communications Manager) and Shilpa Manek (Senior Democratic Services Officer)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

14/24 WELCOME BY CHAIRMAN
(Agenda No. 1)

The Chair welcomed everybody to the meeting.

15/24 APOLOGIES FOR ABSENCE
(Agenda No. 2)

Apologies for absence were received from Alistair Bastin, Lorna Baxter, Executive Director Resources and Section 151 Officer and Vicki Green, Pension Services Administration Manager.

16/24 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE BELOW
(Agenda No. 3)

No declarations of interest were received.

17/24 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

No petitions and public address requests were received.

18/24 MINUTES

(Agenda No. 5)

The minutes of the meeting held on 26 January 2024 were agreed as a correct record.

19/24 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE OF 1 MARCH 2024

(Agenda No. 6)

The Board had before it the draft minutes of the Pension Fund Committee meeting of 1 March 2024.

The Board noted the report.

20/24 REVIEW OF ANNUAL BUSINESS PLAN

(Agenda No. 7)

The Board had before it the report which set out the latest progress against the key service plan priorities in the Annual Business Plan for the Pension Fund 2023/24 and the new service priorities for 2024/25, as considered by the Pension Fund Committee at its meeting on 1 March 2024.

The Service Manager Pensions, presented the report, outlined a review of the 2023/24 Key Service Priorities, and the Service Priorities for 2024/25, and answered any questions raised.

In response to a question regarding the cash flow modelling for the Fund, in regard to the ageing population within their own small employer and whether this was representative of other admission bodies, the Service Manager Pensions responded that where other admissions bodies that were larger and open to new members, staff turnover kept the average age more stable. In situations where staff were more likely to be outsourced under closed agreements, reducing numbers and increasing average age would provide a larger risk. However, an example was provided of an employer that had outsourced the majority of their staff but was now planning to bring those staff back in-house, which in turn raised the numbers of LGPS employees.

In respect of the new priority around investment strategy, the Chair of the Pension Fund Committee commented that Pension Fund Members would be resistant to unwarranted government pressure on which investments should be considered and would not allow this to impact their fiduciary duty.

The Service Manager Pensions provided an update on the activity-based exclusions that had been provided to the Committee for review and to determine the limited use

of activity-based exclusions to be appropriate. Of the four presented, two were supported on the grounds that they were consistent with the current Climate Change Policy, however the other two were considered not within the agreed policies and could set an unwelcome precedent for future exclusions. However, they requested officers review these against the Responsible Investment Policy that would be reviewed by the Committee at their next meeting.

In response to a query regarding if officers were confident of the amount of resource in place to ensure the McCloud data would be ready for August 2025, the Service Manager Pensions advised that the two temporary posts agreed by the Committee had become permanent posts to ensure sufficient resource in place. However, due to the new systems being implemented, manual workarounds had been required which had stretched the team's resources. Further guidance on the amount of work was expected in the next couple of weeks, which would provide clarity on the level of resource required.

The Board noted the report.

21/24 RISK REGISTER REPORT (Agenda No. 8)

The Board was provided with the latest risk register which had not been considered by the Committee on 1 March 2024 due to lack of time, however the Board received reassurance that there had not been any significant changes since its last presentation at the previous Committee meeting.

The Governance and Communications Manager presented the report and highlighted that the Board had requested a report on succession planning to come to the next meeting, however this had now been mitigated. He outlined any changes since the last report and drew the Board's attention to increased risks in risk 15, insufficient skills and knowledge amongst officers, which had increased to a red 8 in relation to the Head of Fund and Pensions Administrations Manager both leaving the Council. A number of risks were removed from the register, including risk 25, the potential loss of key members of staff which was seen as a duplication of risk 15. One risk added to the register was risk 23, impact of pension scams, at the request of the Board, having previously been included as an emerging risk.

The Board noted the report.

22/24 GOVERNANCE AND COMMUNICATIONS REPORT (Agenda No. 9)

The Board had before it the Governance and Communications Report which had not been presented to the Committee on 1 March 2024 due to lack of time.

The Governance and Communications Manager presented the report and advised the Board that the General Code of Practice had been agreed. The Governance and Communications Team had been working under the draft General Code of Practice and undertaken a preliminary review against the 51 modules as set out in the attached appendix to the report. The number of the breaches was provided, and it

was advised that it should be noted an increase of breaches should be expected due to better reporting practices under the new policy, and the detail of these were included within the report.

The Board noted the report.

23/24 GENERAL CODE OF PRACTICE UPDATE

(Agenda No. 10)

The Board had before it a report on the General Code of Practice: Initial Compliance Assessment carried out by the Governance and Communications Team.

The Governance and Communications Manager presented the report, which provided a quarterly update on the Single Code of Practice as requested by the Board. An outline of the 51 modules which related to the five main areas was provided, and an action plan and timeline of actions was included in the attached appendices.

The Chair advised that there would be challenges in identifying which of the modules applied to the LGPS, and this was currently being reviewed by the Scheme Advisory Board, who would provide guidance to scheme providers.

The Board thanked officers and noted the report and agreed that this would be embedded into the Governance and Communications Report moving forward.

24/24 ADMINISTRATION REPORT

(Agenda No. 11)

The Board considered the latest Administration Report as presented to the Committee on 1 March 2024. The Committee had agreed to the additional staffing as set out in the report, and the Service Manager Pensions provided an update on the current issues in recruiting to the outstanding vacancies. The applications for the administrator positions were currently being reviewed. Also, it had been identified that more work should take place on in-house training, and the creation of a Technical and Training Officer would support the process reviews and all staff training.

In response to a question from the Board, the Service Manager Pensions advised that there was a national issue in recruiting to the outstanding positions and would be discussed further under the Workforce Planning Report. Whether these posts could be recruited to as remote positions was unclear due to the nature of some of the paper-based administrative tasks that were still required to be carried out.

The Chair of the Board advised that this was an issue for local government in its entirety and provided examples of similar circumstances experienced in recruiting to LGPS roles in Gloucester. The Board discussed other ways of working that could support the remote function, which would enable a wider pool of talent to be sourced.

In response to a request from the Board, the Service Manager Pensions advised that the numbers of people could be added to the detail on the Members' Self Service graphs contained within the report.

Following queries regarding the McCloud, an updated plan would be formulated following meetings due to be held the following week, and any missing returns on McCloud would be chased up. The Board acknowledged that there were expected issues with IT, and these would be worked through with the software supplier.

The Board noted the report.

25/24 CYBER SECURITY REVIEW (Agenda No. 12)

The Board had before it a report on the Fund's review of its cyber security risk prevention and response approach initially agreed in 2022. Since that point, the Pensions Regulator had set out further requirements in the draft General Code of Practice, and the Fund had tailored its approach to ensure compliance with the General Code of Practice.

The Service Manager Pensions presented the report and the conclusion which advised that key systems and controls were in place with a mechanism to review this information on a quarterly basis.

The Board noted the report.

26/24 SUCCESSION PLANNING (Agenda No. 13)

The Service Manager Pensions provided a verbal report to the Board on the steps being taken to secure replacements for the Head of Pensions and the Pension Services Administration Manager, both of whom were due to retire in April 2024. It was noted that the post of Pension Services Administration Manager had been appointed to from an internal post, however this had created a gap in that role, and would be discussed under the Workforce Planning Report. For the position of Head of Pensions, an offer had been made following an extensive application process, and a conditional offer would be approved the following week with a handover period planned to bring the new person on board.

The Chair requested that the new Head of Pensions provide a brief introduction or bio to the Board. The Service Manager Pensions advised that he would request this.
(ACTION)

The Board thanked the Service Manager Pensions and noted the verbal update.

27/24 WORKFORCE PLANNING REPORT (Agenda No. 14)

The Board had before them a report which set out the basis of providing a Workforce Strategy for the fund to ensure that the appropriate workforce was in place to deliver

improved services, greater productivity and better customer focus. The Governance and Communications Manager presented the report and highlighted the issues around recruitment and succession planning, and the turnover of staff which was an issue for most funds in England and Wales.

Structural issues were identified that could be reviewed to increase efficiency and equity in workloads for staff members, and specific requirements were detailed in the report. The benefits of agile working were also highlighted in how technological advancement could support issues identified in recruiting to fund administrator roles.

The Governance and Communications Manager highlighted that this report had been presented to the previous Committee meeting, and the first recommendation had now been completed. Therefore, the Board were asked to note the second recommendation in agreeing to the development of a Workforce Strategy for the fund.

In response to a question regarding successful succession planning and team building, the Service Manager Pensions advised that the new Pension Services Manager had started work on workforce development, and produced ideas for developing a structure for the new team. Challenges had been identified and split into short-, medium- and long-term strategies, however meeting these would be dependent on successful recruitment to the outstanding posts and development of existing staff. When this had been finalised, work could start on implementing technological systems to support workload. It was recognised that remote working presented challenges with supporting new staff and building team-spirit, and the implications of succession planning without a strong team in place.

The Governance and Communications Manager emphasised the need for formulating a cohesive team, and outlined some examples of how the new team could be developed, which would be included within the Workforce Strategy.

The Board agreed that a timeline for further development of this Strategy would come to future meetings, following the implementation of the new management team.

In response to a query regarding when the Board could expect this to take place, the Service Manager Pensions advised that the Workforce Strategy principles would be finalised before the end of the year, with longer term objectives agreed.

The Board noted the report and agreed the following recommendation:

- ii) Agree to the development of a Workforce Strategy for the fund which:
 - a) Covers a short, medium and long-term horizon;
 - b) Facilitates the implementation of the appropriate structure, staffing, skills and knowledge to meet new and changing demands;
 - c) Makes use of new technologies and new ways of working, including agile working where appropriate;
 - d) Considers succession planning, retention, and development of the workforce

28/24 DRAFT RESPONSIBLE INVESTMENT POLICY

(Agenda No. 15)

The Board had before it a report from the Executive Director of Resources and Section 151 Officer on the Development of the Fund's Responsible Investment Policy submitted to the Committee on 1 March 2024. The initial draft of the Fund's first Responsible Investment Policy had been developed by the Officers following a wide engagement programme which included a survey response of over 4,000 from scheme members.

The Financial Manager – Pension Fund Investments presented the report and highlighted that the draft policy had been agreed by the Committee, and the formal consultation was now underway which included scheme members, scheme employers and key stakeholders, including Brunel, and the partner funds.

The Chair commented that the Board would have been represented in the consultation as part of the scheme employers' views and agreed with the process being followed in regard to the policy.

29/24 REVIEW OF POST-POOLING INVESTMENT COSTS

(Agenda No. 16)

The Board had before it a report of the Executive Director of Resources and Section 151 Officer which had been submitted to the Committee on 1 March 2024. The report provided an analysis of the management fees payable by the Pension Fund pre- and post-pooling and was based on data to the end of March 2023.

The Financial Manager-Pension Fund presented the report which had been prepared at the request of the Committee, however noted that there would be issues in making direct comparisons due to different fee structures such as tiered fees, and the different investment targets in place for mandates.

The Board noted the report.

30/24 ITEMS TO INCLUDE IN REPORT TO PENSION FUND COMMITTEE

(Agenda No. 17)

It was agreed that the following be included in the report to the next Pension Fund Committee:

- The Board's agreement to recommendation ii) of the Workforce Strategy
- An agreed timeline for implementation of the Workforce Strategy be produced and circulated to the Board.

31/24 ITEMS TO INCLUDE IN THE AGENDA FOR NEXT BOARD MEETING

(Agenda No. 18)

The Board requested the following items be included at the next Board meeting:

- The TPR Code would be incorporated into the Governance and Communications Report.

..... in the Chair

Date of signing

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 7 June 2024 commencing at 10.15 am and finishing at 1.25 pm

Present:

Voting Members: Councillor Donna Ford – in the Chair

Councillor Bob Johnston
Councillor Imade Edosomwan
Councillor Nick Field-Johnson
Councillor John Howson
Councillor Ian Middleton
Councillor Michael O'Connor
Councillor Donna Ford

Non-Voting Members: Alistair Fitt, Oxford Brookes University
District Councillor Jo Robb, District Councils
Steve Moran, Pension Scheme Member

By Invitation: John Arthur, Independent Financial Advisor
Robert McInroy, Partner and Fund Actuary, Hymans
Tom Hoare, Fund Actuary, Hymans

Local Pension Board Members: Alistair Bastin
Angela Priestley-Gibbins

Officers: Sean Collins (Service Manager, Insurance and Money Management), Vicki Green, (Pension Services Administration Manager), Mukhtar Master (Governance & Communications Manager), Gregory Ley (Financial Manager – Pension Fund Investment), Josh Brewer (Responsible Investment Officer), Anna Lloyd (Governance & Communications Officer) Lucy Brown (Senior Democratic Services Officer)

The Scrutiny Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting [, together with a schedule of addenda tabled at the meeting/the following additional documents:] and agreed as set out below. Copies of the agenda and reports [agenda, reports and schedule/additional documents] are attached to the signed Minutes.

81/24 ELECTION OF THE CHAIR FOR THE COUNCIL YEAR 2024/25
(Agenda No. 1)

The Committee Officer received two nominations for Chair for the Council Year 2024/25. Councillor John Howson nominated Councillor Bob Johnston which was seconded by Councillor Ian Middleton. Councillor Nick Field-Johnson nominated Councillor Donna Ford, which was seconded by Councillor Imade Edosomwan. On being put to the vote, there was a tie. The Committee adjourned to seek a resolution.

During the adjournment, Councillor Michael O'Connor arrived.

The Committee reconvened with all seven members present.

The Committee voted again on the same nominations. Councillor Donna Ford was elected Chair for the Council Year 2024/25.

Councillor Bob Johnston left the meeting and did not return.

82/24 ELECTION OF THE DEPUTY CHAIR FOR THE COUNCIL YEAR 2024/25
(Agenda No. 2)

On being nominated by Councillor Imade Edosomwan, seconded by Councillor Nick Field-Johnson and put to the vote, Councillor Michael O'Connor was elected Deputy Chair for the Council Year 2024/25.

83/24 APPOINTMENT OF BRUNEL OVERSIGHT BOARD REPRESENTATIVE
(Agenda No. 3)

Councillor Michael O'Connor agreed to be the representative for the Brunel Oversight Board, and on being put to the vote (Agreed: 4, Not agreed: 2), it was agreed.

84/24 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 4)

There were none received.

85/24 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 5)

There were none received.

86/24 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 6)

Dr Spragg addressed the meeting on Item 19, Responsible Investment Policy, a copy of which is attached to these minutes.

87/24 MINUTES OF THE PREVIOUS MEETING
(Agenda No. 7)

The minutes of the meeting held on 1 March 2024 were agreed as a correct record of the meeting.

88/24 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 8)

The Committee **RESOLVED** to note the unconfirmed minutes of the Local Pension Board which had met on 3 May 2024.

89/24 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 9)

Alistair Bastin, Local Pension Board Scheme Representative introduced the report which set out the items the Local Pension Board wished to draw to the attention of the Committee following their last meeting. He highlighted that in addition the standard agenda items, the Board specifically discussed the new General Code of Practice published by the Pension Regulator, and the action plan developed to address any gaps during the 2024/25 financial year. This would be reported via the Governance and Communication report presented to both the Committee and the Board at each of its meetings.

In response to a question regarding how confident the Board was regarding the transition of new posts and the capacity of current staff with the current vacancies outstanding, Alistair Bastin advised that workforce planning had been identified as a risk and included on the risk register, and the Board had worked with the Section 151 Officer to monitor these risks and were confident in the mitigation of them. Lorna Baxter, Executive Director of Resources and Section 151 Officer advised that the appointments made to the two key roles had been made and reassured the Committee of the level of experience coming into the team to ensure the continuation of excellent service delivery.

The Committee **RESOLVED** to note the report.

90/24 RESPONSE FOR LETTER FROM THE MINISTER FOR LOCAL GOVERNMENT

(Agenda No. 10)

Sean Collins, Service Manager for Pensions, Insurance and Money Management introduced the report of the Executive Director of Resources and Section 151 Officer which asked the Committee to consider the draft response to the letter received from the Minister for Local Government on 15 May 2024 regarding efficiencies on the management of the LGPS.

In response to a query on what had precipitated this request, Lorna Baxter, Executive Director of Resources and Section 151 Officer advised that this was part of a larger piece of work for local authorities to produce a productivity plan and a response to the letter was required by 19 July 2024. The letter had to be approved by the Chief Executive, however was been presented to the Committee for comment and approval. Sean Collins, Service Manager Pensions Insurance and Money Management provided further context following his meetings with the Minister for Local Government as part of a round table exercise. He raised the frustrations expressed by the Government of local authorities not taking full advantage of the benefits of pooling and part of this consultation sought to address that.

Following discussions regarding the lack of governance over large-scale pooling of pension funds, the Committee requested that their discussion be incorporated in the response to highlight their concerns and strengthen the emphasis on the governance challenges associated with pooling. It was agreed that a copy of the response would be circulated to the Committee prior to submission. **(ACTION)**

The Committee RESOLVED:

- a) ~~provide any comments on the draft that they would wish to see incorporated into the final version, and~~ having reviewed the draft response contained at Annex 1, to ask for a stronger emphasis on the governance challenges associated with increasing scale;**
- b) note that the final version will be agreed between the Chief Executive and the Executive Director for Resources & Section 151 Officer, and submitted to Government by the agreed deadline, subject to any further clarification following the announcement of the general election.**

91/24 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 11)

Sean Collins, Service Manager for Pensions Insurance and Money Management presented the report of the Executive Director of Resources and Section 151 Officer which set out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2024/25 as agreed by the March meeting of this Committee. He outlined the three key service objectives and provided an update on the latest position on each against their assessment criteria for each measure of success.

In response to a query regarding the measure of success in respect of Committee and Board members National Knowledge Assessments, especially in light of the recent resignation and new members of the Committee yet to fully undertake the mandatory training, Sean Collins, advised that new members of the Committee had not yet been tested to ascertain their level of knowledge. However, all members of the Committee should undertake that commitment to complete all of the mandatory training and that monitoring reports would enable the Committee to make the assessment themselves.

It was noted that only three members of the Committee had attended the mandatory induction training provided by the Service Manager earlier that week, and that all members were reminded of the importance of fulfilling their obligations to the Committee. It was agreed that an update would be reported to the Committee on a quarterly basis. **(ACTION)**

In response to a question regarding the progress made for collecting data to ensure that all estimates/benefits calculations were in line with the McCloud requirements, Sean Collins advised that an approach was being determined where historic data was not available, utilising data that was held and erring on the side of the scheme member. Officers would also be happy to accept information received from members if details were found to be incorrect. Vicki Green, Pension Services Manager advised that following the circulation of yearly statements to all members, it was common to

receive an influx of queries, so many would be picked up at this time. An update on numbers would be reported to the Committee as part of the Annual Business Plan update and would include progress made as part of the metrics reported. **(ACTION)**

The Committee were RESOLVED to:

- a) review progress against each of the key service priorities as set out in the report; and**
- ~~b) agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.~~**
- b) Agree no further actions other than those identified in the report were necessary to be taken to address those areas not currently on target to deliver the required objectives.**

92/24 RISK REGISTER REPORT

(Agenda No. 12)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which set out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks not currently at their target score. The risk register was attached at Appendix 1. He advised the Committee that the risk register had been presented to the Board at their meeting on 3 May 2024 and no comments had been received. There were no new or emerging risks to report and outlined the reducing and reduced risks highlighted within the report.

In response to Risk 23: Impact of Pension Scams, Mukhtar Master advised that there was a robust policy in place which had lowered this risk and Vicki Green, Pension Services Manager advised that vigilant due diligence checks were in place on the transfer of pensions, and no pension scams had been alerted to the team. The Committee were advised that scams would be reported through the Administration Report, and it was agreed that a nil report would be provided to the Committee to provide further assurance and transparency.

In response to the query from the Board, it was noted that Risk 13: Insufficient Skills and Knowledge on Committee, would remain a priority for the Committee and reported back at future meetings.

The Committee RESOLVED to note the latest risk register and accept that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.

93/24 GOVERNANCE AND COMMUNICATIONS REPORT

(Agenda No. 13)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which outlined the recently published final General Code of Practice which replaced the Code of Practice 14 for the Local Government Pension Scheme (LGPS) and highlighted a plan that had been developed and agreed by the Local Pension Board, which ensures compliance against the 51 modules outlined in the report. This was shown

at Appendix 1. He also provided an update on training for the Pension Fund Committee and the Local Pension Board and advised that thus far only one member of the Committee and two members of the Local Pension Board had completed all 8 modules of the online LOLA training.

In response to a query from the Committee regarding the significant rise in data breaches recorded since Q1 April-June 2023, Mukhtar Master advised that this could be due to more robust policies and systems in place.

Sean Collins, Service Manager for Pensions, Insurance and Money Management provided further information on a case for the Committee to note regarding an employer that had failed to provide complete i-Connect data.

The Committee RESOLVED to:

- a) Note the Fund's update on the Pension Regulator's General Code of Practice.**
- b) Review and note the latest quarter's breaches for the fund.**
- c) Note the communications update regarding the review of the fund website.**

94/24 GOVERNANCE AND COMMUNICATIONS POLICY REVIEWS

(Agenda No. 14)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which presented the following policies: Communications, Governance, Governance Compliance Statement and Breaches, in compliance with the Local Government Pension Scheme Regulations 2013 and were all included within the Appendices attached to the report.

In response to a query from the Committee regarding the telephone helpline to Scheme Members, Vicki Green, Pension Services Manager advised that the helpline was regularly used by scheme members as a form of contact and would look to obtain numbers of its usage rate for future reports.

The Committee RESOLVED to

- a) Approve the revised Communications Policy.**
- b) Approve the revised Governance Policy.**
- c) Approve the revised Governance Compliance Statement.**
- d) Approve the revised Breaches Policy.**

95/24 ADMINISTRATION REPORT

(Agenda No. 15)

Vicki Green, Pension Services Manager presented the report of the Executive Director of Resources and Section 151 Officer which updated the Committee on the key administration issues including the service performance measurement, the debt recovery process and any write offs agreed in the last quarter. She provided an update on the current level of staffing and recruitment to those posts that were vacant, and also an update on the technological development that would also address those shortfalls by streamline processes and automate tasks, therefore reducing manual intervention.

In response to a query regarding the percentage of data gathering that had taken place for the McCloud recalculation, Sean Collins, Service Manager for Pensions, Investment and Money Management advised that although 32% of employers still had to confirm their data, all data from the larger organisations, including Oxfordshire County Council had been received. He advised that a further breakdown by employer could be provided to the Committee. **(ACTION)**

In response to a query regarding which costs required approval should a full address trace be undertaken for members of the On-Call Fire Service, Sean Collins advised that this would be provided to the Committee. **(ACTION)**

In response to a query regarding the lack the transferring numbers from smaller schools when moving into larger academy trusts, Vicki Green agreed that early intervention work should take place with the Finance Directors of those trusts to ensure that all information is completed for the monthly returns.

In response to a query regarding new technology to address staffing shortfalls, Mukhtar Master advised that the implementation of a chat bot would be a first point of contact and would pass onto a member of the team to deal with more in-depth enquiries.

The Committee RESOLVED to note the upcoming issues the pension administration team face and agree to the approach of the report to manage these.

96/24 CYBER SECURITY POLICY REVIEW (Agenda No. 16)

Sean Collins, Service Manager for Pensions, Investments and Money Management presented the report of the Executive Director of Resources and Section 151 Officer which covered the annual review of cyber security for the fund, deferred from the previous Committee meeting. Lorna Baxter, Executive Director of Resources and Section 151 Officer advised that as part of an LGA Peer Review, the Council had received favourable feedback on its cyber security controls as an organisation.

The Committee RESOLVED to review this report and ~~determine any further actions to be taken.~~ determined no further actions were required at this time.

97/24 SCHEME OF DELEGATION POLICY REVIEW (Agenda No. 17)

Sean Collins, Service Manager for Pensions, Investment and Money Management presented the report of the Executive Director of Resources and Section 151 Officer which was the first of the renewed cycle of annual reviews for the Fund's Scheme of Delegation which was last reviewed in June 2021. He highlighted the amendments made to the Scheme of Delegation, two of which were substantial with some additional minor adjustments to job titles.

Councillor Ian Middleton left the meeting.

The Committee RESOLVED to agree the revised Scheme of Delegation contained as Annex 1 to this report, noting the key changes set out in the report below.

98/24 REPORT OF THE INDEPENDENT INVESTMENT ADVISOR (Agenda No. 18)

John Arthur, Independent Financial Advisor presented his report which provided an overview of the financial markets, the overall performance of the Fund's investments against the Investment Strategy Statement and commentary on any issues relating to the specific investment portfolios. The report also included the quarterly investment performance monitoring report from Brunel.

He further highlighted that longer term the Fund was slightly below its benchmark over 3 and 5 years, which was mostly due to the performance of the Brunel portfolio and its underperformance due to its underweight in the more carbon intensive equity markets. He emphasised that the drive to be more environmentally aware could lead to divergence from the general benchmarks that reflected overall equity market performance. He added that whilst he supported the Committee's responsible investment approach, the Committee needed to accept it had led to a short-term negative performance impact which should be reversed in the longer term.

Councillor Ian Middleton returned to the meeting.

The Committee discussed the impact of the performance of 'high growth technology companies', which made up 7 of the top 10 equity holdings of the pension fund. It was noted that most gains in the equity market had come from those stocks. The Committee noted the concerns of a tightly focussed market which could not last.

In response to a query raised by the Committee regarding the performance of the Brunel Fund in comparison to other pooling funds, John Arthur advised that comparison figures were not readily available, however PIRC had produced reports for approximately 69 funds, which showed Brunel at the lower end of performance returns. However, he believed that whilst Brunel were not outperforming other funds, they were more committed towards more responsible investment and climate change and had suffered more in the current financial environment.

In response to a query regarding the level of funding in UK equities, John Arthur advised that level of investment in UK equities was benchmarked against FTSE All Share Index, with the largest of those companies being global companies with an overweight to the oil and gas industries, and therefore did not fit the mandate of long-term attractive investment. Therefore, he supported the intention of Brunel to move into a smaller medium term company bias, which would have a greater focus for the UK economy.

He advised the Committee of the importance of ensuring due diligence had taken place and recommended that all training be completed by all members of the Committee, including an audit thereof, to demonstrate full governance procedures were in place.

The Committee thanked the Independent Financial Advisor for his report.

99/24 RESPONSIBLE INVESTMENT POLICY

(Agenda No. 19)

Josh Brewer, Responsible Investment Officer presented the report of the Executive Director of Resources and Section 151 Officer which requested that the Committee agree the final version of the Responsible Investment Policy included at Annex 1 to the report. The report set out the amendments to the draft Policy agreed at the March 2024 meeting.

In response to concerns raised regarding the number of responses to a consultation of Fund members, Josh Brewer explained the process for carrying out the consultation had been the same as previous consultations that had received more responses and could not provide an explanation as to why the responses were so much lower. It was agreed that further metrics would provide more information on how people had engaged with the survey.

In response to queries raised by the Committee to explore wording detailing a rationale for an activity-based exclusion of tobacco products, Josh Brewer advised that this had proved problematic as no suitable wording for investment principles had been identified that would support the exclusion of tobacco without opening up a significant number of additional exclusions. He noted that the additions in respect of activity-based exclusions had been added post the consultation period, and therefore had not been subject to member comment. Sean Collins, Service Manager for Pensions, Insurance and Money Management explained the issues with including any wording that excluded tobacco products as they were legal products, and advised as a Committee Policy it would be reasonable for the Committee to advise on any wording, they felt appropriate.

It was noted by the Committee that any future updates to the Policy could be provided for future revisions, and the Committee agreed that the Chair and Deputy Chair would review the Policy wording surrounding health standards and outcomes and bring back to the Committee for agreement in three/six months' time. **(ACTION)**

The Committee RESOLVED to agree the final version of the Responsible Investment Policy included at Annex 1 which incorporates the amendments set out in the report.

100/24 FUND CASHFLOWS

(Agenda No. 20)

Sean Collins, Service Manager for Pensions, Insurance and Money Management presented the report of the Executive Director of Resources and Section 151 Officer which provided the context of the work of the Funding Strategy and Investment Strategy Statements, and the agreed approach for the 2025 Valuation, with an update on the funding position of the Oxfordshire County Council Pension Fund as at 31 March 2024.

Greg Ley, Financial Manager, Pension Fund Investment outlined the cashflow projections and next steps taken from the report. He drew the Committee's attention to the baseline scenarios produced by Hymans, the Funds Actuary which provided cashflow modelling to show that the fund become cashflow negative from 2028. The two options for meeting a cashflow shortfall for the Fund; generating and utilising investment income, and /or periodic sales of investment assets were detailed in the report. He advised that income yield from those detailed in the report could generate income of approximately 1% which would be sufficient to meet the cashflow requirements under the majority of the scenarios modelled, with the exception of the high inflation scenario and 'worst case' scenario.

In response to a query regarding the negative cashflow previously projected to affect the fund earlier in 2025, rather than the now reported date of 2028 in the report, Sean Collins advised that assumptions used in the previous projections had not been born out in reality, which highlighted the need for constant monitoring against the latest assumptions and the cash flow position.

The Committee RESOLVED to:

- a) note the updated funding position and the reasons for the change since the 2022 valuation,
- b) note the key funding risks currently facing the Fund,
- c) agree to the pre-2025 valuation planning actions to be taken by the Fund as set out in paragraph 42, and
- d) consider the cash flow implication throughout the 2025 triennial valuation process and next strategic asset allocation review.

101/24 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 21)

Greg Ley, Financial Manager, Pension Fund Investment presented the Local Authority Pension Fund Forum Quarterly Engagement Report for January – March 2024, which detailed the stewardship work they had undertaken for the Committee's attention.

Lorna Baxter, Executive Director of Resources and Section 151 Officer wished to convey her thanks on behalf of the Council and the Committee to Sean Collins for his huge amount of expertise and knowledge to not only the Committee but also the Council as a whole. The Committee thanked Sean Collins for his support and help on the Committee over the years.

John Arthur, Independent Financial Advisor left the meeting and did not return.

102/24 EXEMPT ITEMS
(Agenda No. 22)

The Committee **RESOLVED** that the public be excluded for the duration of Item 23 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 of Schedule 12A of

the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing that information.

103/24 CESSATION OF A SCHEME EMPLOYER

(Agenda No. 23)

The Committee received a report from the Executive Director of Resources and Section 151 Officer which provided details of a proposed closure of a scheme employer including detailed financial information.

The Committee discussed the report in private session.

The Committee RESOLVED to ~~agree the recommendation contained within the report.~~ ask the Officers to discuss further the financial position with the relevant scheme employer.

..... in the Chair

Date of signing 2024

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Agenda Item 6

The Oxfordshire Local Government Pension Scheme (LGPS) Pension Board

All Public Sector Pension Schemes were required under the Public Service Pensions Act 2013 to set up a Pension Board with effect from 2015/16 to assist the administering authorities of their Pension Scheme in ensuring compliance with LGPS and other pension regulations.

The Oxfordshire Pension Fund Committee, acting as administering authority of the Oxfordshire LGPS, agreed the terms of reference of the Pension Board in March 2015. These terms of reference are available on the Board's website at <https://www.oxfordshire.gov.uk/cms/content/lgps-local-pension-board> .

Under the constitution of the Board, an annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year. This report meets that requirement for the 2023/24 financial year, covering the work from the July 2023 Board meeting to their meeting on 3 May 2024.

Board Membership

The Board started the year with a vacancy for one scheme employer representative following the resignation of Elizabeth Griffiths who had taken on a new employment outside Oxfordshire and was therefore no longer eligible to serve on the Board as an Oxfordshire Scheme Employer representative. Following the July meeting, Marcia Slater also resigned her position on the Board in light of her impending retirement, which meant she too was no longer eligible to serve. The Board thanks both Elizabeth and Marcia for their contributions.

The two employer representative vacancies were advertised via the employer's newsletter and on the Fund Website. This attracted a very limited response, and whilst Susan Blunsden, the HR Manager at Cherwell District Council was appointed to serve on the Board, the other vacancy has remained empty for the rest of the year. Repeat advertisements have been made but no interest attracted. Attendance at Board meetings was as follows:

	Attended 7 July 2023 Meeting	Attended 20 October 2023 Meeting	Attended 26 January 2024 Meeting	Attended 3 May 2024 Meeting
Scheme Employer Representatives				
Angela Priestley-Gibbins (The Thera Trust)	Yes	Yes	Yes	Yes
Marcia Slater (Vale of White Horse/South Oxfordshire District Councils)	Yes	N/A	N/A	N/A
Susan Blunsden (Cherwell District Council)	N/A	Yes	Yes	Yes

Vacant Post	No	No	No	No
Scheme Member Representatives				
Stephen Davis (Oxford Direct Services & Unite)	Yes	Yes	Yes	Yes
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	Yes	Yes	No
Liz Hayden (Retired Member)	No	Yes	No	Yes

All meetings were chaired by the Independent Chairman, Matthew Trebilcock, the Head of Pensions from the Gloucestershire Pension Fund. Cllr Bob Johnston attended all meetings of the Board in his capacity as Chairman of the Pension Fund Committee as part of the arrangements agreed within the Governance Review to improve communications between the Committee and Board.

Angela Priestley-Gibbins, Alistair Bastin and Stephen Davis all regularly attended the Pension Fund Committee as observers, with one of them presenting the report of the Board to the Committee. Board Members were also regular attenders at the training events run through the year, to which all Committee and Board members were invited.

With the agreement of the Independent Chairman and members of the Board, all meetings of the Board during 2023/24 were held virtually. As the Board was set up under separate legal provision from the other County Council Committees, there is no legal requirement for meetings to be held in person.

Members of the Board also attended the Planning Workshop held on 15 January 2024 which discussed the 2024/25 Business Plan, and the workshop held on 26 January 2024 to develop the draft Responsible Investment Policy.

The Board have also been represented throughout the year on the Climate Change Working Group by Alistair Bastin. Alistair has also served as a member of the Brunel Oversight Board as one of two representatives of all scheme members on that Board following an election process across the ten Funds within the Brunel Pension Partnership.

Alistair Bastin also sat as a member of the technical interview panel as part of the selection process for the new Head of Pensions position. The Panel provided advice to the Executive Director of Resources & Section 151 Officer on the LGPS knowledge, skills and experience evidenced by the candidates, who was responsible for making the final decision on the appointment.

Work Programme

The work programme for the Board continued as a mix of a regular review of a set of standard reports as presented to the previous meeting of the Pension Fund Committee, ad-hoc review of reports to the Pension Fund Committee and new items brought direct by the Fund's officers or made at the request of Board members.

The standard reports reviewed at each of the Board meetings in that last year were:

- Review of the Annual Business Plan and Budget
- Governance and Communications Report
- Risk Register
- Administration Report

The main issues identified by the Board in respect of these reports were in respect of the skills, knowledge and experience of those charged with the governance of the Fund. At the start of the year, this was focussed on the turnover of membership on the Board itself. During the year, the Board also expressed concern following the change in Independent Investment Adviser to the Fund and the retirements of the Head of Pensions and the Pension Services Manager. The Board also raised specific concerns around the resources available to manage the McCloud project and kept a regular review of the status of the project throughout the year.

A major element of the work of the Board during the year focussed on the new General Code of Practice, published by the Pension Regulator early in 2024. The Board reviewed the initial assessment of the Fund's position against the draft Code, as well as the Action Plan to address the identified gaps against the final version of the Code.

Other aspects of governance developed during the year with the support of the new Governance and Communications Team were the development of a register of the Fund's statutory policies and a timetable for their regular review, and the review of the Breaches Policy and the quarterly breaches log. In respect of the latter, the Board noted that improvements in process and reporting initially led to the reporting of an increased number of breaches. This did not reflect a decline in performance, and indeed the increased transparency should lead to earlier identification and resolution of any issues.

During the year, the Board reviewed the following Committee reports:

- October 2023 – the Annual Report and Accounts for the Pension Fund, and the Fund's first application against the Stewardship Code.
- May 2024 – the Board reviewed the annual assessment of the Fund's cyber security arrangements, a report on workforce planning, and the Fund's first Responsible Investment Policy. The Board welcomed the approach to workforce planning including the development of improved succession arrangements through the employment of a training officer, and the development of technology to automate many manual processes and improve the service to scheme members. The Board expressed some reservations about the increase in agile working. Whilst accepting the benefits, including widening the field from which new staff could be recruited, they expressed some concerns about the support for new staff where delivered remotely and the potential loss of team unity.

The new items considered by the Board which had not previously been presented to the Pension Fund Committee were:

- The Board's own Annual Report for the 2022/23 financial year considered at the July 2023 meeting.
- Two reports on investment management fees and portfolio performance. This included the standard annual report presented to the Board at its meeting in July 2023, and an additional report which looked to identify overall savings in investment management fees since the introduction of pooling, which was presented to the meeting in May 2024. The Board again noted the limitations of the reports given the lack of long-term data resulting from the significant transition in investments as a consequence of the Government's pooling agenda.
- A report on Pension Scams presented to the October meeting of the Board following concerns by Board members about the risks to scheme members and the Fund itself. The Board accepted the arrangements put in place by Pension Services mitigated these risks as far as possible.
- A further report on scheme member engagement to the January meeting, which followed up on the work led by the Board in 2022/23. The Board focussed on the process for obtaining the views of both scheme members and employers on service performance. The Board also supported the responsible investment survey which got over 4,000 responses from scheme members, significantly above previous consultation exercises. The Board noted that this consultation was undertaken through email to all members for whom we held an email address on their record, and that we continued to seek to collect email addresses and mobile phone numbers for all members to further improve our future communications.

Future Work Programme

A key work area for the Board during 2023/24 will be the action plan for addressing all areas of non-compliance with the new General Code of Practice issued by the Pension Regulator. This is consistent with one of the primary objectives of the Board to ensure that the Pension Fund Committee is meeting its regulatory duties and ensuring all material breaches are reported to the Pension Regulator.

The Board will also maintain its focus on the standard administration report, review of the annual business plan, governance and communications report and the risk register to ensure that the Committee is able to meet its statutory duties, and performance is delivered to the appropriate standards.

The Board will also maintain its focus on the future governance arrangements for the Fund and in particular the impact of the changes to the leadership of the Fund both on the Committee and at Officer level. Key to this will be reviewing the current training arrangements and the effectiveness of these in ensuring appropriate levels of skills and knowledge on the Committee and the Board itself. Reviewing the development of the Workforce Strategy will also form a key part of the Board's work in this area, including the development of self-service tools for scheme members, the automation of certain process, and a review of the level of checking undertaken within the administration teams.

Other areas of work for the Board in 2024/25 will be to oversight the preparation work undertaken by the Committee for the 2025 Valuation, and the implementation of the new Responsible Investment Policy.

To be completed for inclusion in the Annual Report and Accounts 2023/24

Division(s): n/a

ITEM 11

PENSION FUND COMMITTEE – 7 JUNE 2024

REVIEW OF THE ANNUAL BUSINESS PLAN AND BUDGET 2024/25

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

The Committee is RECOMMENDED to

- a) review progress against each of the key service priorities as set out in the report; and**
- b) agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.**

Introduction

1. This report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2024/25 as agreed by the March meeting of this Committee.
2. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2024/25 remain consistent with those agreed for previous years. These are summarised as:
 - To fulfil our fiduciary duty to all key stakeholders
 - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
 - To achieve a 100% funding level
 - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
 - To maintain as near stable and affordable employer contribution rates as possible.
3. The service priorities for the year do not include the business as usual activity which will continue alongside the activities included in the service priorities. Business as usual activities are monitored as part of the Administration Report, the Governance and Communications Report and the report on Investment Performance.

Key Service Priorities – Progress to Date

4. There were 3 key service priorities included in the 2024/25 Plan each with a number of key measures of success. The latest position on each is set out in the paragraphs below. The assessment criteria for each measure of success is as follows:

- Green – measures of success met, or on target to be met
- Amber – progress made, but further actions required to ensure measures of success delivered
- Red – insufficient progress or insufficient actions identified to deliver measures of success

5. Deliver further improvements to the governance arrangements of the Fund. The position against the 5 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Succession Plan in place, and suitably skilled and knowledgeable replacements recruited for Head of Pensions and Pension Services Administration Manager. GREEN	Appointments agreed to both positions, with new Head of Pensions due to start on 1 August 2024. New Pension Services Administration Manager was an internal appointment and began work in role on 29 April 2024.	Complete succession arrangements to fill vacancy created by promotion to Pension Services Administration Manager.
Workforce Strategy in place. AMBER	Initial draft report presented to Pension Board, and key elements of approach endorsed.	Approach to be reviewed by new Head of Pensions, and full Strategy developed and signed off by Committee during 2024/25.
End of year compliance with General Code of Practice in line with targets set. GREEN	Outline Action Plan developed to timetable reviews across all modules.	Reviews to be completed, and actions agreed and delivered to address any gaps in compliance.
Committee satisfied they are able to evidence compliance with their policies and demonstrate the performance standards of the Fund. AMBER	Government has published new standard KPI requirements for Annual Report and Accounts effective from 2024/25 Report. Initial Discussions held with Heywood re automation of KPI reports.	Review of current processes and use of software to ensure automatic KPI reports meet requirements. Wider review of reporting to Committee to identify gaps in current assurance framework and develop suitable reports to address gaps.
Increase in average scores for the National Knowledge Assessment. AMBER	Training programme for 2024/25 developed.	All members of the Committee and Board to complete National

	Knowledge Assessment later in 2024.
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6. Given we are less than 2 months into 2024/25 at the time of writing this report, there has not been sufficient time to complete sufficient work to indicate whether we are on target to deliver across all of the agreed measures of success in this area. The main positive development has been the successful recruitment process to replace the Head of Pensions and the Pension Services Administration Manager, although in the later case, the internal appointment has created a new issue further down the structure.
7. A key task for the new Head of Pensions once they are in role will be to complete the work on the Workforce Strategy and lead the development of the workforce. This is currently shown as Amber given the challenges nationally in recruiting to key roles across the LGPS, and the potential challenges of finding the resources required to develop the technological advances necessary to support an effective workforce going forward.
8. Work on ensuring compliance with the General Code of Practice has progressed during the first part of the year (as detailed with the Governance and Communications Report elsewhere on today's agenda). A timetable for the review of each relevant area covered by the Code has been agreed, and the initial reviews have been completed to timetable and no new gaps in compliance identified. Actions have been agreed to close the previously identified gaps and at the present time we remain on target to be fully compliant by the end of the year.
9. In terms of Committee reporting, whilst work is undergoing with Heywood, our system supplier, to develop automated reporting of Key Performance Indicators in line with the Government requirements for the Annual Report and Accounts, we need to undertake more work to review how we improve assurance reporting across the range of Fund Policies which provide evidence to Members that policies are being adhered to, and are delivering the expected outcomes.
10. The Measure of Success in respect of Committee and Board members National Knowledge Assessments is also currently showing Amber. This in part reflects the high turnover of membership of both the Committee and the Board, and the loss of previous skills, knowledge and experience. Officers will continue to work with all Members to ensure sufficient training opportunities are identified, which hopefully will be reflected in the Assessment scores later in 2024.
11. Deliver further operational effectiveness of the administration function, including delivery of regulatory changes. There were also 6 specific measures of success set out in the 2024/25 Business Plan in respect of this priority. The progress against these is set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Issue all estimates/benefit calculations in line with	Some data collected and loaded, but returns	Complete collection and loading of missing data.

the McCloud requirements. AMBER	still outstanding from a number of employers.	Determine approach where historic data not available. Complete backlog of calculations in line with Government's priority guidance.
Increased Common Data and Scheme Specific Data Quality scores. GREEN	Data cleanse included as part of end of year work.	Produce regular data quality reports for Committee and action plans to address gaps.
Reduction in numbers of reported regulatory breaches/fines issued under the Administration Strategy. GREEN	New breach arrangements in place. Improved transparency in reporting to Committee.	Provide further training and support to Scheme Employers in areas of significant regulatory breaches.
Reduction in number of formal complaints. GREEN		Website improvements to improve processes and management of member expectations.
Increased customer satisfaction scores. AMBER		Review trends in member survey scores and develop action plans as necessary
Reduction in scheme costs associated with technology improvements. AMBER		Complete work plan items carried over from 2023/24. Continue to work with Heywood to develop further functionality within the System software.

12. Delivery against the McCloud Project Plan remains challenging, given the scale of the work involved, the timescales over which historic data needs to be collected, and the complexity of the remedy arrangements, which in turn is leading to delays in the development of the necessary changes to the system software. As noted within the Administration Report elsewhere on the agenda, we are behind the target deadlines set out in the project plan, with data from 32% of scheme employers still outstanding.
13. It is known that the issues facing the Fund are replicated across the rest of the LGPS (with similar challenges also reported in respect of the Fire Fighters remedy arrangements). We expect further guidance to be issued centrally, to include the approach to be taken in cases where historic data is not available (most likely to be in cases where the member moved role numerous times during the remedy period, or the members employer changed status, and/or payroll

provider during the remedy period). This, and further system developments will hopefully mitigate many of the risks in respect of delivering the project to the statutory deadlines.

14. Work across the other 5 measures of success is all built of taking forward work undertaken in 2023/24. The differences in assessment between green and amber reflect the amount of work completed to date and the evidence available to support the view we are on target to deliver by the end of 2024/25.

15. Review the Fund's Investment Strategy Statement in light of:

- The 2025 Valuation
- Government Policy
- Cashflow Requirement
- Responsible Investment Priorities

There were 4 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Clear Strategic Direction agreed for 2025 Valuation, to the satisfaction of scheme employers. AMBER	Report on today's agenda setting out key areas for Committee consideration in setting strategic direction.	Consultation with scheme employers on their desired outcomes from the 2025 Valuation. Revised Funding Strategy Statement agreed.
Revised cashflow model in place and sufficient cash in place to meet pension benefits and investment commitments as they fall due. GREEN	Report on today's agenda on potential cashflow requirements.	Cashflow model to be reviewed in light of decisions made throughout 2025 Valuation process.
Plans in place to deliver Government Policy requirements. AMBER		Await Government proposals and determine approach accordingly.
Publish Fund's first Responsible Investment Policy and Strategy Documents. GREEN	Responsible Investment Policy on today's agenda for agreement.	Develop responsible investment strategy to deliver and report on key elements of Policy
Revised Strategic Asset Allocation agreed. AMBER		Agree revised Strategic Asset Allocation in light of decisions above.

16. Work across this service priority will be a key issue for this Committee across the forthcoming year. Members will have received a training session immediately before this Committee to set the context for the work, and elsewhere on today's agenda there are reports on cash management, preparing for the 2025 Valuation and on the Responsible Investment Policy. One of the complexities across this issue is the many inter-related parts which the Committee will have to consider over the course of the year, to ensure a consistent and coherent outcome.
17. The current assessments again reflect the level of progress to date and the availability of evidence to support a view that we are on target to deliver by the end of the financial year. The work on the Responsible Investment Policy is most advanced with the final Policy document presented to the Committee today for sign off. The initial report on cashflow management is also included on today's agenda which does not indicate any significant risks to the Fund's ability to effectively meet its responsibilities.
18. The areas of greater uncertainty are the extent to which the Fund will be able to meet the expectations of scheme employers and meet the demands of Government. The level of uncertainty in respect of the latter has now increased further in light of the announcement of a general election on 4 July 2024 which will delay the publication of any Government proposals/guidance.

Budget 2024/25

19. The budget for 2024/25 was agreed as Part C of the Business Plan at £20,741,000. At this stage of the year there is insufficient information to produce a meaningful forecast of any variations to this forecast.

Training Plan

20. Part D of the Business Plan set out the broad Training Plan for Committee Members. This reflects the latest Knowledge Assessment and feedback from Committee and Board members. The programme includes sessions on Pensions Administration which saw a fall in scores under the most recent Knowledge Assessment, with a suggestion there is a focus on advances in technology and the development of Artificial Intelligence tools, Actuarial Methods with a focus on the requirements of the 2025 Valuation and Pensions Accounting and Audit Standards. The first session focussing on the 2025 Valuation was undertaken this morning.
21. The Plan also includes reference to the on-line training offered by Hymans Robertson which all Members are encouraged to complete, a list of recommended external courses and conferences which Members are invited to consider as well as the offer of individual sessions with Officers and the development of a specific training plan to meet individual needs.
22. Over the course of the year, we will develop the monitoring of Members compliance against the Training Policy, and this information will be included alongside the review of the National Knowledge Assessment scores as part of

our assessment of the overall governance arrangements for the Fund. It is expected that this will be an area of increased focus for the new Government post the July elections.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer
Sean Collins

May 2024

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Division(s): n/a

ITEM 12

PENSION FUND COMMITTEE – 7 JUNE 2024

RISK REGISTER

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. The Committee is **RECOMMENDED** to note the latest risk register and accept that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.

Introduction

2. The risk register sets out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks that are currently not at their target score. The risk register can be found at **APPENDIX 1**. This report sets out any progress on the mitigation actions agreed for those risks not yet at target and identifies any changes to the risks which have arisen since the register was last reviewed.

Comments from the Pension Board

3. The Local Pension Board did review and consider the risk register at its last meeting on the 3 May, however there were no comments for consideration.

Latest Position on Existing Risks/New Risks

New Emerging Risks

4. No new emerging risks have been identified for the fund this quarter.

Increasing Risk

5. None of the risks on the risk register were deemed as increasing in their respective risk rating.

Reducing Risk

6. Risk 14 – ‘Insufficient Skills and Knowledge amongst Board Members’ – this has deemed to have improved from a red to amber. There is still one employer

representative vacancy for the Board, however levels of training have been good and the recent results of the Knowledge Progress Assessment have also been good for the Board.

7. Risk 15 – ‘Insufficient Skills and Knowledge amongst officers’ – recruitment for the Head of Service and the Pensions Administration Manager posts has reduced this risk from a red to an amber rating.
8. Risk 16 – ‘Key System Failure’ – the recent annual review of cyber security for the fund has been completed and had deemed that the fund has key systems and controls in place with a mechanism to review this information on a quarterly basis. On this basis the risk rating has been reduced from an amber to a green.
9. Risk 17 – ‘Breach of Data Security’ – general improvements with regards to cyber security arrangements and the improvements that have followed from the implementation of new and improved breach recording and reporting have meant that this risk has also been reduced from an amber to a green.
10. Risk 19 – ‘Failure of Pooled Vehicle to meet local objectives’ – with the implementation of climate change policy, this risk was assessed as a lower rating from amber to green.

Risks removed from the Risk Register

11. Risk 24 – ‘Lack of administrative resources and knowledge for FPS, specifically with additional remedy workload and second options exercise for on call fire fighters’ – has been removed as a risk from the register. This risk had been deemed an emerging risk which has now been mitigated by the recruitment of a new administrative post within the fire service.

Same Risk Rating

12. All other risks have been assessed and remaining the same as last quarter.
13. The Pension Fund Committee are asked to note the Risk Register.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Mukhtar Master Tel: 07732 826419

May 2024

Risk Register

Identification of Risks:

These are the risks that threaten the achievement of the Pension Services objectives. Risks have been analysed between:

- Funding, including delivering the funding strategy;
- Investment;
- Governance
- Operational; and
- Regulatory.

Key to Scoring

Impact		Financial	Reputation	Performance
5	Most severe	Over £100m	Ministerial intervention, Public inquiry, remembered for years	Achievement of Council priority
4	Major	Between £10m and £100m	Adverse national media interest or sustained local media interest	Council priority impaired or service priority not achieved
3	Moderate	Between £1m and £10m	One off local media interest	Impact contained within directorate or service priority impaired.
2	Minor	Between £100k and £500k	A number of complaints but no media interest	Little impact on service priorities but operations disrupted
1	Insignificant	Under £100k	Minor complaints	Operational objectives not met, no impact on service priorities.

Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)
2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

RAG Status/Direction of Travel

	Risk requires urgent attention
	Risks needs to be kept under regular review
	Risk does not require any attention in short term
↑	Overall Risk Rating Score is Increasing (Higher risk)
↔	Risk Rating Score is Stable
↓	Overall Risk Rating Score is Reducing (Improving Position)

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset Allocation Review after Valuation.	4	1	4	↔			4	1	4	May 2024	At Target
2	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	1	4	↔			4	1	4	May 2024	At Target
3	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	1	3	↔			3	1	3	May 2024	At Target
4	Under performance of asset managers or asset classes	LGPS	Investment	Loss of key staff and change of investment approach at Brunel or underlying Fund Managers.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly assurance review with Brunel. Diversification of asset allocations.	3	2	6	↔			3	2	6	May 2024	At Target
5	Actual results vary to key financial assumptions in Valuation	LGPS	Funding	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Actuarial model is based on 5,000 economic scenarios, rather than specific financial assumptions. As an open defined benefit scheme – investments are long-term.	3	2	6	↔			3	2	6	May 2024	At Target

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
6	Under performance of pension investments due to ESG factors, including climate change.	LGPS	Investment	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions. The Fund have a Climate Change Policy and implementation plan.	4	1	4	↔		June 24	4	1	4	May 2024	At Target.
7	Loss of Funds through fraud or misappropriation.	LGPS	Investment	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manager	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3	↔			3	1	3	May 2024	At Target
8	Employer Default – LGPS	LGPS	Funding	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met by Other Employers	Pension Services Manager	All new employers set up with ceding employer underwriting deficit, or bond put in place. Contribution escalation policy provides early indicator/warning.	3	2	6	↔			3	2	6	May 2024	At Target
9	Inaccurate or out of date pension liability data	LGPS	Funding	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	3	1	3	↔			3	1	3	May 2024	At Target
10	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	1	3	↔			3	1	3	May 2024	At Target
11	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	1	4	↔			4	1	4	May 2024	At Target
12	Insufficient resources from Committee to deliver responsibilities-	LGPS	Operational	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	May 2024	At Target

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
13	Insufficient Skills and Knowledge on Committee	LGPS	Operational	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Implement new training plan 23/24. Outcomes of the knowledge progress assessment from Hymans	2024/25	4	1	4	May 2024	
14	Insufficient Skills and Knowledge amongst Board Members	LGPS	Operational	Turnover of Board membership	Insufficient Scrutiny of work of Pension Fund Committee leading to Breach of Regulations	Service Manager	Training Policy	4	2	8	↓	Implement new training plan 24/25 Currently recruiting to 1 scheme employer representatives.	2023/24	4	1	4	May 2024	
15	Insufficient Skills and Knowledge amongst officers.	LGPS	Operational	Poor Training Programme and/or high staff turnover. Pay grades not reflecting market rates and affecting recruitment and retention.	Breach of Regulation, errors in Payments and ineffective scheme member engagement. Inability to effectively meet RI and Climate related objectives.	Service Manager	Training Plan. Control checklists. Use of staff from 3 rd party agencies	3	2	6	↓	The Workforce Strategy and workforce planning is work to be completed and changes to workforce agreed and implemented.	Apr 2024 May 2024	3	1	3	May 2024	Awaiting publication of the Good Governance Project proposals.
16	Key System Failure	LGPS	Operational	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme, and Cyber Security Policy	4	1	4	↓			4	1	4	May 2024	At Target
17	Breach of Data Security	LGPS / FPS	Operational	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy and Cyber Security Policy.	4	1	4	↓			4	1	4	May 2024	At Target
18	Failure to Meet Government Requirements on Pooling	LGPS	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement within Brunel Partnership	5	1	5	↔	Review once Government publish revised pooling guidance.	TBC	5	1	5	May 2024	At Target

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
19	Failure of Pooled Vehicle to meet local objectives	LGPS	Investment	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement within Brunel Partnership	4	1	4	↓			4	1	4	May 2024	At Target
20	Significant change in liability profile or cash flow as a consequence of Structural Changes	LGPS	Funding	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	Insufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Service Manager	Engagement with key projects to ensure impacts fully understood	4	1	4	↔	Need to Review in light of current Government consultation to switch HE and FE employers to Designating Bodies, and potential reclassification and introduction of a Government guarantee.	TBC	4	1	4	May 2024	At Target
21	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant.	LGPS / FPS	Operational	Significant requirement to retrospectively re-calculate member benefits	Breach of Regulation and Errors in Payments	Pension Services Manager	Two new staff in post. All McCloud enquiries have gone out to Scheme employers. Responses due end of Jan.	4	2	8	↔	Still awaiting data from some employers. A plan is in place to bring the project up to date.	On-Going	2	2	4	May 2024	Above target
22	Loss of strategic direction		Governance	Loss of key person	Short term lack of direction on key strategic issues	Director of Finance	Establishment of a Governance & Communications Team provides the resilience that the fund requires.	2	1	2	↔			2	1	2	May 2024	At Target.
23	Impact of Pension Scams	LGPS FPS	Operational	Failure to follow TPR guidance for transfers out.	Financial loss to members. Potential cost to Fund for making good any loss. Potential TPR sanctions and reputational damage.	Pension Services Manager	TPR guidance for transfers out and the forthcoming regulations in the General Code of Practice. All processes are in line with the above.	3	1	3	↔			3	1	3	May 24	At target

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Division(s): n/a

ITEM 13

PENSION FUND COMMITTEE – 7 JUNE 2024

GOVERNANCE & COMMUNICATIONS REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

The Committee is RECOMMENDED to:

- a) Note the Fund's update on the Pension Regulator's General Code of Practice.**
- b) Review and note the latest quarter's breaches for the fund.**
- c) Note the communications update regarding the review of the fund website.**

General Code of Practice

1. The Pensions Regulator have recently published the final General Code of Practice which replaces the Code of Practice 14 for the Local Government Pension Scheme (LGPS).
2. The new General Code of Practice consists of 51 modules which relate to 5 main areas:
 - i) Governing Body – 18 modules
 - ii) Funding and Investments – 2 modules
 - iii) Administration – 10 modules
 - iv) Communications and Disclosure – 11 modules
 - v) Reporting to TPR – 4 modules.
3. All funds within the Local Government Pension Scheme (LGPS) need to be compliant to the new General Code of Practice by March 2025. To this end, the Oxfordshire Pension Fund have developed a plan to ensure compliance against the 51 modules. A visual plan has been developed which shows progress against the key stages of the plan with a red/amber/green (RAG) rating to show the current status of each key stage of the plan. This plan can be seen at **APPENDIX 1**.
4. Summary of the progress regarding the General Code of Practice:
 - i) The Fund has produced an action plan which has been reviewed and agreed by the Local Pension Board;
 - ii) An evaluation of compliance checker systems which are on the market has been completed and the fund have purchased the Hyman's system;

iii) A detail review of two modules have been undertaken:

- (1) Managing advisers and service providers (Contract monitoring);
- (2) Assurance of governance and internal controls (audit)

Knowledge and Understanding – Pension Fund Committee & Local Pension Board

- 5. Hymans have made Version 2 of the LGPS Online Learning Academy (LOLA) available now. This has replaced Version 1 which has been completed by Committee and Board Members. Thus far only one member of the Committee and two members of the Local Pension Board have completed all 8 modules of the online training. It is recommended all Committee and Board members undertake all modules of the LOLA training.
- 6. All new Committee and Board members need to ensure the following training is carried out:
 - i) An induction on the Oxfordshire Pension Funds Policies, and either
 - ii) The 3-day LGA Fundamentals Course, or
 - iii) The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit.

Breaches for the period January to March 2024

- 7. There are various legislative and regulatory requirements for Pension Funds regarding breaches which include the Pensions Act 2004, the UK General Data Protection Regulation (UK GDPR) and now the new General Code of Practice.
- 8. The following table shows the number of breaches in the last quarter – January to March 2024.

2023/2024					
Breach Type	Apr-Jun (Q1)	Jul-Sep (Q2)	Oct-Dec (Q3)	Jan-Mar (Q4)	Total
Contribution - COP	2	17	16	9	44
Data - COP	0	15	42	31	88
Other - COP	0	0	1	0	1
Data - GDPR	2	9	1	2	14
Total	4	41	60	40	145
Number escalated	2	1	4	6	
Number resolved	4	41	56	41*	
Number carried over to next quarter	Nil	Nil	4	4	

*figure includes 3 resolved cases carried over from last quarter. 1 case from Q3 and 3 cases from Q4 are outstanding.

Code of Practice Breaches

9. A breach is recorded every time a contributions payment or data return is submitted after the 19th of the month following payroll. A breach is also recorded when an employer fails to provide member data or information to the administration team in line with the escalation policy.
10. In Q4 there was one case for the committee to note. An employer has failed on three consecutive months to provide complete i-Connect data and the contributions paid did not balance. An email was sent by Pension Services highlighting the error and gave a proposal for resolution. However, the matter remains unresolved. The escalation policy has been followed and fines have been issued in line with the Administration Strategy, totalling £1,750 and are still accruing. This case has been escalated to the Pension Services Administration Manager. Any further developments will be reported back to the Pension Fund Committee.
11. This quarter a further three cases were escalated to a Team Leader and one case was escalated to the Pension Services Administration Manager and then on to the Head of Pensions. One case is still ongoing from Q3. All other Code of Practice breaches have been resolved.

Data Breaches

12. Two data breaches occurred this quarter. In one case, a letter was sent to an incorrect address. The case was escalated to the Team Leader, our records were updated, however we are awaiting the final closure from the Information Management Team. In the other, a member was migrated from Prudential to Legal and General in error. As a result, all relevant personal information which was required to facilitate the migration was sent to Legal and General. This matter is still outstanding.
13. None of the breaches were materially significant and as such were not reported to either The Pensions Regulator or the Information Commissioner.

Communications Update: Review of Fund Website

14. A project to review the arrangements for the Pension Fund website has recently commenced. This project will review the needs of the service against what the website currently offers, to ensure that the future website is appropriate for the fund. This work will culminate in a business case showing the various options with associated costs, and a recommendation for a way forward.

Lorna Baxter
Executive Director of Resources

Contact Officer: Mukhtar Master Tel: 07732 826419

June 2024

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Oxfordshire Pension Fund
General Code of Practice Action Plan 2024/5

Project Stage	Action/task	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Project Initialisation	1 Evaluate compliance checkers on the market.													
	2 Research how other funds are tackling the their implementation of the GCOP.													
	3 Purchase compliance checker													
	4 Determine which of the 51 modules apply to the fund													
Module Review 1	5 TGB010 – Managing advisers and service providers (Contract monitoring)		Amber rated	Amber rated			Review actions							
	6 TGB033 – Assurance of governance and internal controls (audit)		Amber rated	Amber rated			Review actions							
	7 CAD014 – Audit requirements		Not applicable to the LGPS											
Module Review 2	8 TGB014 – Recruiting to governing body													
	9 TGB017 – Governing Body's working knowledge of pensions													
Module Review 3	10 TGB016 – Remuneration Policy (best practice)													
	11 CAD001 – General principles for member communications													
	12 CAD010 – Publishing information about public service pension schemes													
Module Review 4	13 ADM001 - Administration													
	14 TGB022 – Continuity Planning (pending recruitment of new Pension Services Manager)													
Module Review 5	15 ADM002 – Financial transactions													
	16 ADM007/8/11 – contribution monitoring													
	17 CAD016 – Short service refunds													
Module Review 6	18 ADM003 – Scheme records													
	19 ADM006 – Data monitoring													
	20 ADM015 – Maintenance of IT systems													
	21 ADM016 – Cyber controls													

	Scheduled tasks
	Completed
	Some requirements/actions still outstanding
	Requirements/actions overdue

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Division(s): n/a

ITEM 14

PENSION FUND COMMITTEE – 7 JUNE 2024

GOVERNANCE & COMMUNICATIONS POLICY REVIEWS

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. The Committee is RECOMMENDED to:

- a) Approve the revised Communications Policy.**
- b) Approve the revised Governance Policy.**
- c) Approve the revised Governance Compliance Statement.**
- d) Approve the revised Breaches Policy.**

Communications Policy

- 2. Regulation 61 of the Local Government Pension Scheme Regulations 2013 sets out the administering authority's policy requirements concerning communications with members and Scheme employers. Specifically, it states that 'an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and Scheme employers.'
- 3. Furthermore, the policy must set out the following:
 - i) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
 - ii) the format, frequency and method of distributing such information or publicity; and
 - iii) the promotion of the Scheme to prospective members and their employers.
- 4. The fund Communications Policy was last reviewed in March 2023. The single addition to the new policy is a reference to the Employer Survey which is a new initiative which commenced in 2024. There are no other noteworthy updates to the review of the Communications Policy. The revised Communications Policy can be found at **APPENDIX 1**.

Governance Policy & Governance Compliance Statement

- 5. Under regulation 55 of the LGPS Regulations 2013, all Funds within the Local Government Pension Scheme (LGPS) in England and Wales are required to publish a Governance Compliance Statement.

6. The regulations prescribe the content of the Governance Compliance Statement and Governance Policy which must also be included in the annual report. The Compliance Statement and Policy should outline the overall governance structures and arrangements in place including:
- the respective roles and responsibilities of the pensions or investments committee, local pensions board and any related sub-committees or advisory panels;
 - membership of each panel, board, committee or sub-committee with details of each member's voting rights, record of attendance at meetings and details of training received;
 - how the CIPFA Knowledge and Skills Framework, and other training requirements, (e.g. for MIFID II and The Pensions Regulator) have been applied;
 - how oversight and governance of the regional asset pool takes place;
 - other key elements of the governance structure (e.g. key officers, risk management arrangements and systems of internal controls);
 - policies and processes for managing conflicts of interest (e.g. Codes of Conduct, Register of Interests).
7. The main updates to Governance Policy:
- An update to reflect the change in the membership of the Pension Fund Committee, approved by full Council in November 2023;
 - An update to include the mandatory training requirements for the Pension Fund Committee and Local Pension Board which was agreed at the Full Council meeting in October 2022;
 - A copy of the revised Governance Policy can be found at **APPENDIX 2**.
8. The main updates to Governance Compliance Statement:
- Principle B – Representation has been updated to reflect the change in membership of the Pension Fund Committee, approved by Full Council in November 2023;
 - A copy of the revised Governance Compliance Statement can be found at **APPENDIX 3**

The Breaches Policy

9. There are various legislative and regulatory requirements for Pension Funds regarding breaches:
- i) Under the Pensions Act 2004, the Fund must report breaches of the law relating to the administration of the Pension Fund to the Pension Regulator and where data breaches occur to the Information Commissioner;
 - ii) The UK General Data Protection Regulation (UK GDPR) apply to the processing of personal data;

- iii) The Pension Regulator's General Code of Practice provides practical guidance in relation to this legal requirement to Pension Funds.
- 10. The main update to the Breaches Policy is the fact that the Pensions Regulator has now released the new General Code of Practice which came into effect from April 2024. This new code of regulatory practice replaces the Code of Practice 14 for the LGPS. There are no other noteworthy updates to the document. A copy of the revised Breaches Policy can be found at **APPENDIX 4**.
- 11. The Committee is recommended to approve these four revised policy documents.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Mukhtar Master
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May 2024

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Oxfordshire Pension Fund Communication Policy Statement

Version: 2024

Introduction

1. This is the Communication Policy Statement of the Oxfordshire Local Government Pension Scheme Pension Fund ('the Fund'), established within the 1995 Regulations and now prepared under Regulation 61 of the Local Government Pension Scheme Regulations 2013 ('the regulations').

Purpose

2. This policy sets out the Oxfordshire Pension Fund's approach for its communications with members and Scheme Employers.
3. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:
 - Active members
 - Deferred members, and
 - Pensioner members
 - Pensioner credit members
4. Scheme Employers, as defined within the regulations, including Teckal companies:
 - Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
 - Designating Bodies, including the Town and Parish Councils
 - Admission Bodies, where the Pension Fund Committee have granted scheme admission within the terms of Part 3 Schedule 2 of the Regulations
5. The regulations require the policy statement is prepared, written and published, and for these purposes publish means being accessible on the publicly available pensions website.

Aim

6. To assist all individual employers to fulfil their statutory role in the Oxfordshire Fund by providing regular current information and access to alternative resources

7. To ensure that members have access to scheme information, notice about proposed and actual changes and are aware of the process to lodge questions and appeals.
8. To enable the Scheme Manager / Administering Authority to discharge their respective responsibilities in accordance with the Local Government Pension Scheme Regulations 2013 (as amended); The Occupational and Personal Pension Schemes (Disclosure of Information Regulations 2013 (as amended) and The Pension Regulator Guidance.

Communication Policy

9. The LGPS is supported nationally by websites and guidance for both employers and scheme members. Our Fund communications will reference these national resources as well as material provided by the Fund's advisors.
10. Local communications, intended audience, publication media and frequency are explained in the annex to this policy, which should be read in conjunction with the Administration Strategy.
11. The Fund will aim to use national resources in a way which will avoid duplication with the Fund's own resources. Oxfordshire Pension Fund supports those national developments financially and by active engagement with the working group which concentrates on member communications. The Fund will continue to support collaboration and development of communication media with other administering authorities.
12. The Fund maintains a website which provides access to member guides, forms and information. The Fund requests that employers provide a copy of the member Brief Guide or the link to the website to all new employees on commencing employment, helping to ensure that scheme information is available within disclosure timetable to members and those eligible to join.
13. The Fund maintains a dedicated area of the website to provide resources and information for employers.
14. The Fund maintains a dedicated area of the website to provide resources and information about investments activity.
15. Member Self Service (My Oxfordshire Pension) using a secure online web portal hosted by Aquila Heywood, is available for the whole membership. Registered members can a) look at generic scheme information b) view personal correspondence such as letters and annual benefit statements c) run their own personalised calculations and d) keep their personal details up to date.

16. The Fund uses secure email, or My Oxfordshire Pension to communicate with members wherever possible, with paper letters only being sent on specific request or where no email address is available.
17. My Oxfordshire Pension is now integrated with most standard work processes.
18. Mailshots aimed at increasing take up of My Oxfordshire Pension across all membership groups are undertaken annually.
19. The Fund has not created a profile on any social media such as Twitter or Facebook; no requests for such access have been received and there is currently no perceived benefit for these to be created.
20. The fund informs members and Scheme Employers of material changes to the Scheme via the website, email alerts or the appropriate newsletter.
21. The Fund aims to produce communications which are factual, easy to understand and accessible.
22. The Fund strives for efficiency in delivering communications through better use of technology, whilst ensuring that the needs of all stakeholders are taken into account.
23. The Fund strives to continually improve member and employer engagement.

Review of the Policy

24. We will undertake annual reviews of the Communication Policy considering feedback invited at meetings, training, via the survey and through monthly newsletters.

Annex A

Fund Publications

	Available to:	Media	Frequency
Pension Fund Report & Accounts	Scheme employers Pension Fund Committee MHCLG Scheme members	Website Paper on request Email on request 'My Oxfordshire Pension'	Annual
Annual Benefit Statement	Scheme members	Paper on request 'My Oxfordshire Pension'	Annual
Newsletter – Members	Active Scheme members,	Website Paper on request Email (assisted by employers) 'My Oxfordshire Pension'	Quarterly
	Deferred	Website Paper on request 'My Oxfordshire Pension'	Annual
	Pensioner members	Website Paper on request 'My Oxfordshire Pension'	Annual to tie in with pensions increase notification
Newsletter - Employers	Scheme employers	Email	Monthly
P60	Pensioner members	Paper on request 'My Oxfordshire Pension'	Annual
Payslip	Pensioner members	Paper on request 'My Oxfordshire Pension'	Posted where variance is >£1 Monthly on 'My Oxfordshire Pension'

	Available to:	Media	Frequency
Guides for New Employers	Scheme employers	On line employer toolkit, includes essential guidance for new employers Paper on request Email on request	As required

Meetings and forums

Meeting Type	Available to:	Purpose of meeting	Frequency
Employer Forum	Scheme employers	Review of topical issues in fund investment and scheme administration affecting fund employers and members benefits	Annual
Employer User Group	Scheme employers	Review administration, regulation changes, share experience with peer group	Twice yearly
Intro to LGPS Training	Scheme employers	Brief course to cover the statutory employer role and regular returns	4 per year or as required
Ad hoc training	Scheme employers	Cover specific subjects for either single employer or a group of employers	By appointment
Presentations	Scheme members Scheme employers		By appointment
Attendance at employer pre-retirement seminars or new member/employee inductions	Scheme members		By appointment
One to one meeting	Scheme members		By appointment

Other Services

<p>Telephone helpline to Pension Services (Low call rate) Pensioner payroll enquiry help line Employer helpline</p>
<p>Dedicated email addresses to Pension Services Member and employer enquiries Dedicated email address for employer monthly returns</p>
<p>'My Oxfordshire Pension' web portal dedicated telephone help line</p>
<p>Oxfordshire Pension Fund website (promoted in our publications above)</p>
<p>National websites (promoted in our publications above)</p>
<p>Customer service survey (sent to members at the end of transactions)</p>
<p>Employer survey (sent annually – new initiative commencing 2024)</p>

**"Scheme members" unless otherwise described includes prospective members, active members, deferred members, pensioners and members' representatives.

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Oxfordshire Pension Fund

Governance Policy Statement

Introduction

- This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, as required under Section 55 of the Local Government Pension Scheme Regulations 2013.
- As required by the Regulations, the Statement covers:
 - Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
 - The frequency of any committee/sub-committee meetings;
 - The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
 - Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

Governance of the Oxfordshire Pension Fund

- Under the Government requirements for a Cabinet structure in local government, the management of the pension fund is seen as a non-executive function i.e. the Cabinet or equivalent body should not carry it out.
- Oxfordshire County Council, acting as Administering Authority for the Fund, has determined to delegate all functions relating to the maintenance of a pension fund to the Pension Fund Committee.

Oxfordshire Pension Fund Committee – Terms of Reference

- Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:
 - a) The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
 - b) The functions under the Firefighter's Pension Schemes specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.
- A more detailed interpretation of these terms of reference includes the following:
 - a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
 - b) regularly review and approve the asset allocation for the pension fund's investment
 - c) approve and maintain the fund's Investment Strategy Statement
 - d) approve and maintain the fund's Funding Strategy Statement
 - e) approve and maintain the fund's Governance Policy Statement
 - f) approve and maintain the fund's Communications Policy Statement
 - g) review the performance of the fund,
 - h) appoint an actuary, and independent financial advisor(s), for the fund
 - i) approve an annual report and statement of accounts for the fund
 - j) approve an annual budget and business plan for the investment and administration of the fund
 - k) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
 - l) consider all other relevant matters to the investment and administration of the fund.

Membership of the Committee

- The Committee's members shall be appointed by full Council and shall comprise
 - a) 7 County Councillors
 - b) 1 Representative of the City and District Councils of Oxfordshire
 - c) 1 University representative
 - d) 1 Pension Scheme Member representative.

The 7 County Councillor members of the Committee shall have full voting rights. The other 3 representatives are all non-voting members of the Committee.

The County Councillors will be appointed such that the majority party on the Council has a majority of seats on the Committee before taking into account the political party of the City/District representatives.

- All members appointed to the Committee shall participate in a training programme to ensure that the Committee as a whole has the appropriate skills and knowledge to fully undertake its statutory responsibilities. Named substitute members can only sit on the Committee in the event of the absence of one of the duly appointed Committee members, where they have complied with the requirements of the Training Policy.
- All Committee Members and Named Substitutes are required to
 - a) attend:
 - In their 1st year
 - i. An induction on the Oxfordshire Pension Funds Policies, and either
 - ii. The 3-day LGA Fundamentals Course, or
 - iii. The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit
 - In each subsequent year
 - i. All pre-Committee training
 - ii. A minimum of 2 days' additional training
 - b) complete the annual Knowledge Assessment exercise run by Hymans Robertson; and
 - c) maintain a score on the Knowledge and Assessment exercise consistent with their responsibilities as a serving member of the Pension Fund Committee or Pension Board as appropriate.

Knowledge & Skills

- All members appointed to the Committee shall participate in a training programme to ensure that the Committee as a whole has the appropriate skills and knowledge to fully undertake its statutory responsibilities.
- The Fund will produce an Annual Training Plan based on a training needs assessment for the Committee and Board. It is a mandatory requirement for Committee and Board members to undertake the required training.
- The Fund will produce an Annual Report which includes details of Committee and Board member training records and attendance.

Operational Procedures

- The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.
- At each meeting, the Committee will receive reports on the investment performance of the Fund. The Brunel Company will be invited to attend meetings as appropriate, and answer questions from the Committee on the performance of the various portfolios relative to their specifications, and on the underlying performance of the Fund Managers.
- Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the Brunel company.
- Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.
- The Committee will consult formally with all employers on issues where it has a statutory duty to do so, before it undertakes the responsibilities set out above. This includes the formal consultation with all employers before agreeing the Investment Strategy Statement, and the Funding Strategy Statement, and any significant subsequent changes.
- The Committee oversee and review various other aspects of the fund including the risk register, internal controls, policies and processes for managing conflicts of interest (e.g. Codes of Conduct, Register of Interests).

- The governance arrangements for the Brunel Pension Partnership investment pool are set out in the Shareholders Agreement and supported by the Service Agreement signed by the Brunel company and the 10 partnership LGPS funds. Oversight of the performance of the Brunel company is undertaken by the Brunel Oversight Board which consists of one member representing each Fund. Oxfordshire's representative is selected following the establishment of the new Committee after the full Council elections. The Shareholders Agreement sets out those matters which can only be taken forward following a vote of the 10 shareholders – Oxfordshire have delegated the responsibility for exercising their vote to the Section 151 Officer, following consultation with the Committee as appropriate.
- As listed in the Council's schemes of delegation, some additional responsibilities for functions specifically related to pension fund activities have been delegated to officers by the Pension Fund Committee.

Local Pension Board

- Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient and effective governance and administration of the scheme.
- The Board has been established with 3 employer representatives, 3 scheme member representatives and a non-voting independent chairman.
- The Board will meet on a quarterly basis, or more frequently as required. The full constitution of the Board is available on the Pension Fund's website.
- All Board Members are required to
 - a) attend:
 - In their 1st year
 - i. An induction on the Oxfordshire Pension Funds Policies, and either
 - ii. The 3-day LGA Fundamentals Course, or
 - iii. The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit
 - In each subsequent year
 - i. All pre-Committee training
 - ii. A minimum of 2 days' additional training

- b) complete the annual Knowledge Assessment exercise run by Hymans Robertson; and
- c) maintain a score on the Knowledge and Assessment exercise consistent with their responsibilities as a serving member of the Pension Fund Committee or Pension Board as appropriate.

Informal Governance Arrangements

- As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.
- The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.
- The Fund have established a Governance and Communications Team with a Governance & Communications Manager and two Officer. The team is tasked with supporting the Committee and Board on all governance matters, including:
 - a) The General Code of Practice;
 - b) The Risk Register;
 - c) The Breaches Register;
 - d) The Training Plan.



Oxfordshire Pension Fund

Governance Compliance Statement

Principle A – Structure

a.	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Oxfordshire County Council acting as Administering Authority has determined to delegate all functions relating to the management of the Pension Fund to the Pension Fund Committee.

Principle B – Representation

a.	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> • Employing authorities (including non-scheme employers e.g. admitted bodies) • Scheme members (including deferred and pensioner scheme members) • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis) 	Partially Compliant
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Compliant

Please use this space to explain reasons for non-compliance.

Academies and smaller scheme employers are not represented on the committee. Further to a review of committee membership, it was deemed that representation from Academies did not add any further value to the work committee. Additionally, the lower number of voting members to accommodate the Academy representatives had increased the risk of the committee being inquorate.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Principle C – Selection and Role of Lay Members

a.	That committee or panel members are made fully aware of the status role and function they are required to perform on either a main or secondary committee.	Compliant
b.	That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Principle D – Voting

a.	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant
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Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Only the County Councillor members of the Committee have a vote to ensure that the interests of the County Council as Administering Authority are appropriately protected, and to avoid the need for unwieldy numbers to protect the majority voting position for the majority party on the Council as required under the Local Government Act. This position is set out in full in the Governance Policy.

Principle E – Training/Facility Time/Expenses

a.	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant
c.	That the Administering Authority considers the adoption of annual training plans for Committee members and maintains a log of all such training undertaken.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

The Committee approve a training budget each year as a specific part of the business planning purpose. Training sessions are arranged to take place before all Committee meetings. External training courses are brought to the attention of Committee members. Training is provided free of charge, with all legitimate expenses reimbursed.

Principle F – Meetings (frequency/quorum)

a.	That an administering authority's main committee or committee meet at least quarterly	Compliant
b.	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Non Applicable
c.	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

In addition to the quarterly meetings of the main Pension Fund Committee, the Fund arranges an annual Pension Fund Forum, attended by Committee Members, to which all employers are invited.

Principle G – Access

a.	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant
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Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

All information on which decisions at the main Committee are based is equally available to all Members. A monthly briefing is provided to the Chair and the Deputy Chair.

Principle H – Scope

a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant
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Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

The Pension Fund Committee is responsible for all aspects of managing the pension fund, and receives reports on both investment and scheme administration issues. The terms of reference include the wide power to consider all relevant investment and administration issues.

Principle I – Publicity

a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Compliant
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Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:



A Procedure for Reporting Breaches of the Law to the Pensions Regulator

Oxfordshire Pension Fund

Introduction

- 1 The Pensions Regulator published the final General Code of Practice document in March 2024 which replaced the existing 15 codes of practice. This is not a statement of law of itself, but nonetheless it carries great weight. In some respects, it is like the Highway Code, in that some of its contents refer to statutory items, whilst others are advisory. The Courts may however also rely on the latter. In the same way, if determining whether any pensions related legal requirements have been met, a court or tribunal must consider the Code.
- 2 The new General Code consists of 51 modules which relate to 5 main areas:
 - i. Governing Body
 - ii. Funding and Investments
 - iii. Administration
 - iv. Communications and Disclosure
 - v. Reporting to TPR

There are several modules in the Code which cover monitoring and reporting breaches of the law.

- 3 Subject to the legislative and regulatory requirements of the Code of Practice, the Pensions Act 2004 and the UK General Data Protection Regulation (UK GDPR), there is a statutory duty to report material breaches of the law to the Regulator or the Information Commissioner (ICO). To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.
- 4 Much of the text herein is drawn from the Code itself. Where it has been, the Regulator's copyright applies.
- 5 If you have any questions about this procedure and:
 - You are a member of the Pension Fund Committee, Local Pension Board or you are an external adviser, please contact the Head of Pensions by emailing pension.services@oxfordshire.gov.uk;
 - You are an actuary, auditor or other external agent; please contact the Head of Pensions
 - You represent an employer; please contact the Pensions Services Manager by emailing pension.employers@oxfordshire.gov.uk;
 - You are an officer of the Fund, and you work in Administration, please contact Pension Services Manager or Head of Pensions

Legal requirements

- 6 Stakeholders are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;
 - The failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.
- 7 Stakeholders who are subject to the reporting requirement ('reporters') for public service pension schemes are:
- Scheme managers (meaning, in the case of the OPF the Pension Fund Committee)
 - Members of the pension board - any person who is otherwise involved in the administration of the Fund (all of the Fund's officers);
 - Employers, and any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers;
 - Professional advisers including auditors, actuaries, legal advisers and fund managers; and
 - Any person who is otherwise involved in advising the managers of the scheme in relation to the scheme (and thus the Fund's External advisers).

Reasonable cause

- 8 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.
- 9 Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.
- 10 Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to consult the Head of Pensions or Pension Services Manager, regarding what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the Regulator without delay.
- 11 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.
- 12 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the

Regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Material significance

- 13 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:
 - Cause of the breach;
 - Effect of the breach;
 - Reaction to the breach; and
 - The wider implications of the breach.
- 14 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.
- 15 The breach is likely to be of material significance to the Regulator where it was caused by:
 - Dishonesty;
 - Poor governance or administration;
 - Slow or inappropriate decision making practices;
 - Incomplete or inaccurate advice; or
 - Acting (or failing to act) in deliberate contravention of the law.
- 16 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.
- 17 A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Effect of the breach

- 18 Reporters need to consider the effects of any breach, but with the Regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the Regulator:
 - Local Board and Pension Fund Committee members not having the appropriate degree of knowledge and understanding, which may result in the Board not fulfilling its role, the Fund not being properly governed

and administered and/or the Pension Fund Committee breaching other legal requirements;

- Local Board and Pension Fund Committee members having a conflict of interest, which may result in them, being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or the Pension Fund Management Panel breaching legal requirements;
- Adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time;
- Accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement;
- Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time;
- Anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded; and
- Any other breach which may result in the Fund being poorly governed managed or administered.

- 19 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reaction to the breach

- 20 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Regulator will not normally consider this to be materially significant.
- 21 A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:
- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
 - Are not pursuing corrective action to a proper conclusion;
 - Fail to notify affected scheme members where it would have been appropriate to do so.

Wider implications of the breach

- 22 Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the Regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will

emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

Types of Breaches

Data Breaches;

- 22. Where a breach of security leads to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental or deliberate causes. It also means that a breach is more than just about losing personal data.
- 23. A personal data breach can be broadly defined as a security incident that has affected the confidentiality, integrity or availability of personal data.

TPR Code of Practice Breaches:

- 24. These can occur for a wide variety of tasks normally associated with the administrative function of the scheme including but not limited to: -
- 25. **Scheme Record keeping** - Failure of employers to provide timely and accurate data for the scheme manager to fulfil their legal obligations such as when an employee joins or leaves the scheme, changes their circumstances or transfers employment between scheme employers;
- 26. **Maintaining contributions** - Contribution breaches occur when an employer fails to make a timely payment or consistently pays an incorrect amount. The fund are currently developing and implementing an 'Employer Contribution Escalation Policy'. The policy will clearly outline the employer responsibility for payment and the fund steps for escalation which would ultimately lead to a contribution breach;
- 27. **Provision of information to members** - Failure to disclose information about benefits and scheme administration to relevant parties including provision of annual benefit statements to scheme members or other information as outlined under the Disclosure of Information Regulations 2013.

Examples of Code of Practice breaches

Example 1

- 28. An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future

contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

Example 2

29. An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to the Prudential. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the Prudential. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that **is** relevant to the Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.

Example 3

30. An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which **is** relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

31. A member of the Pension Fund Committee, who is also on the Property Working Group, owns a property. A report is made to the Property Working Group about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach **has** arisen, not because of the conflict of interest, but rather because the conflict was not reported.

Example 5

32. A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach **has** therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s) he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Example of a Data Breach

33. Common examples of data breaches would be when the pensions administration inadvertently send information containing personal member data, such as pension estimates, annual statements or other information to a wrong address or email. If the breach is for only one member, then that would not be a material breach. However, if the data breach involved many members, then the breach would be material.

Internal Procedure

34. Steps to follow once a breach has been identified:
- a. Record/Report breach on the internal breaches log (Excel) and on SASHA (<https://sasha.oxfordshire.gov.uk/support/home>). The internal breaches log can be found in the following location:
 - b. Report breach to the Governance & Communications Team. At this point a determination and assessment of whether the breach is material is made in consultation with the Head of Fund. (See Paragraph 35 for how a material breach is reported to the Regulator). At this point, at the discretion of the Head of Fund, the Chair of the Pension Fund Committee may be informed and consulted;
 - c. Quarterly Reporting of breaches to the Pension Fund Committee and the Local Pension Board. Each quarter Committee and Board will receive a report providing the following information on breaches:
 - Number of breaches;
 - Types of breaches (Data or Code of Practice);
 - Action taken.

Reporting a Code of Practice Breach to the Regulator

35. Before you submit a report you should obtain clarification of the law around the suspected breach. If:
- You are a member of the Pension Fund Management Panel, Advisory Panel, Local Board or you are an external adviser, please contact the Head of Pensions
 - You are an actuary, auditor or other external agent; please contact the Head of Pensions
 - You represent an employer; please contact the Pensions Services Manager;
 - You are an officer of the Fund and you work in Administration, please contact your Pension Services Manager or Head of Pensions.
36. The person you contact will consider in the round whether the Regulator would regard the breach as being material. They will also clarify any facts, if required. If the case is a difficult one they will seek advice, as required.

37. Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.
38. Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, but one test is: might it reasonably lead to a criminal prosecution or a serious loss in public confidence?
39. Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:
- Full name of the Fund;
 - Description of the breach or breaches;
 - Any relevant dates;
 - Name of the employer or scheme manager (where known);
 - Name, position and contact details of the reporter; and
 - Role of the reporter in relation to the Fund.
40. Additional information that would help the Regulator includes:
- The reason the breach is thought to be of material significance to the Regulator;
 - The address of the Fund;
 - The pension scheme's registry number (if available); and
 - Whether the concern has been reported before.
41. Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.
42. Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.
43. The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.
44. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.
45. Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

46. In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

Reporting a Data Breach to the Information Commission (ICO)

47. You do not need to report every breach to the Information Commissioner and should consider the likelihood and severity of the risk to people's rights and freedoms, following the breach. If a risk is likely, you must notify the Information Commissioner; if a risk is unlikely, you don't have to report it. However, if you decide you don't need to report the breach, you need to be able to justify this decision, and document it.
48. A personal data breach should be reported to the Information Commissioner without undue delay (if it meets the threshold for reporting) and within 72 hours. Reports can be made by calling the Information Commissioner helpline on 0303 123 1113 or by completing the online form on the ICO website.

Whistleblowing protection and confidentiality

49. The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.
50. The statutory duty to report does not, however, override 'legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.
51. The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.
52. The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty

to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

Oxfordshire County Council whistleblowing procedure

53. The Council has its own whistleblowing procedure. The person contacted about the potential breach, eg, the Solicitor to the Fund, will take this into account when assessing the case.

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Division(s): n/a

ITEM 15

PENSION FUND COMMITTEE – 7 June 2024

ADMINISTRATION REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

The Committee is RECOMMENDED to note the upcoming issues the pension administration team face and agree to the approach of the report to manage these.

Executive Summary

1. This report updates the Committee on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

Staffing

2. The two key posts of Head of Pensions and Pension Services Administration Manager have both been filled since the last meeting. Vicki Green was promoted internally and is already in post as Pension Services Administration Manager. Mark Smith will take up his role as Head of Pensions with effect from 1 August 2024.
3. Vicki's promotion leaves a Team Leader vacancy in the benefit administration team. We are looking to fill this gap short-term by delegating down responsibility of line management to Senior Administrators, whilst we look at workforce planning. Overall, the team is carrying vacancies of 4 Administrators and 1 Pension Support Officer, which are currently being recruited.
4. A Technical Training Officer post has been created to grow and develop our existing team to fill the gaps. At the point of writing this report we have just appointed an internal candidate due to start in June 2024.
5. The 2 Senior Administrator vacancies reported in the March report are still vacant. Recruitment at Senior Administrator level has been a challenge with no external applicants and gaps in knowledge and skill to enable existing internal staff to progress. The internal appointment to the Technical Training Officer increases the number of Senior vacancies to three, but it is hoped that in the medium term this new role will help develop appropriate succession planning across all roles. In

the meantime, we are working with the Council's Talent Acquisition and Resourcing Team to recruit to the 3 Senior roles.

6. As part of the longer-term approach, the team managers are carrying out workforce planning to review the current team structure, positions, and their responsibilities. This is at early stages although the key principles were set out in the report to the March meeting of this Committee and endorsed by the Pension Board at their meeting in May.

Technology Development

7. In addition to the efforts to address staffing shortfalls, we are also looking to further increase the use of Altair (our pension database) streamlining processes and automating tasks, reducing manual intervention, and therefore the pressures on current staff.
8. We are also exploring better reporting and data presentation to manage and monitor workload and performance through Insights, a new reporting platform on Altair. This will also create reports for the Annual Report and Accounts and improve reporting to this Committee.
9. The third element of the technology approach is looking at creating our own bespoke website with a secure employer section, search engine, online forms, and chat bot to improve communication, increase support for pension fund customers, and reduce the need for personal responses for standard queries.

Performance Standards and Risk Management

10. The third element to addressing the current capacity issues is a review of service standards and risk management. Traditionally, all work in the Benefits Section has been undertaken by the Administrators and then double checked by the Senior Administrators. The new Pension Services Administration Manager is currently reviewing that practice to determine whether the resources tied up in the checking process are justified in terms of the risks of error, and whether these resources if employed on other tasks would reduce the overall levels of performance risk within the service in light of the current capacity restraints.
11. This review will include input from Hyman Robertson based on their experience supporting LGPS Funds across the country as well as discussions directly with colleagues in other Funds. It is currently expected that a reduced framework for checking will be introduced, with higher checking levels maintained for those tasks which lead directly to a payment, and those tasks undertaken by more recently employed staff (or where sample checking has identified performance issues), but with reduced checks for other tasks.

Performance Statistics

End of year

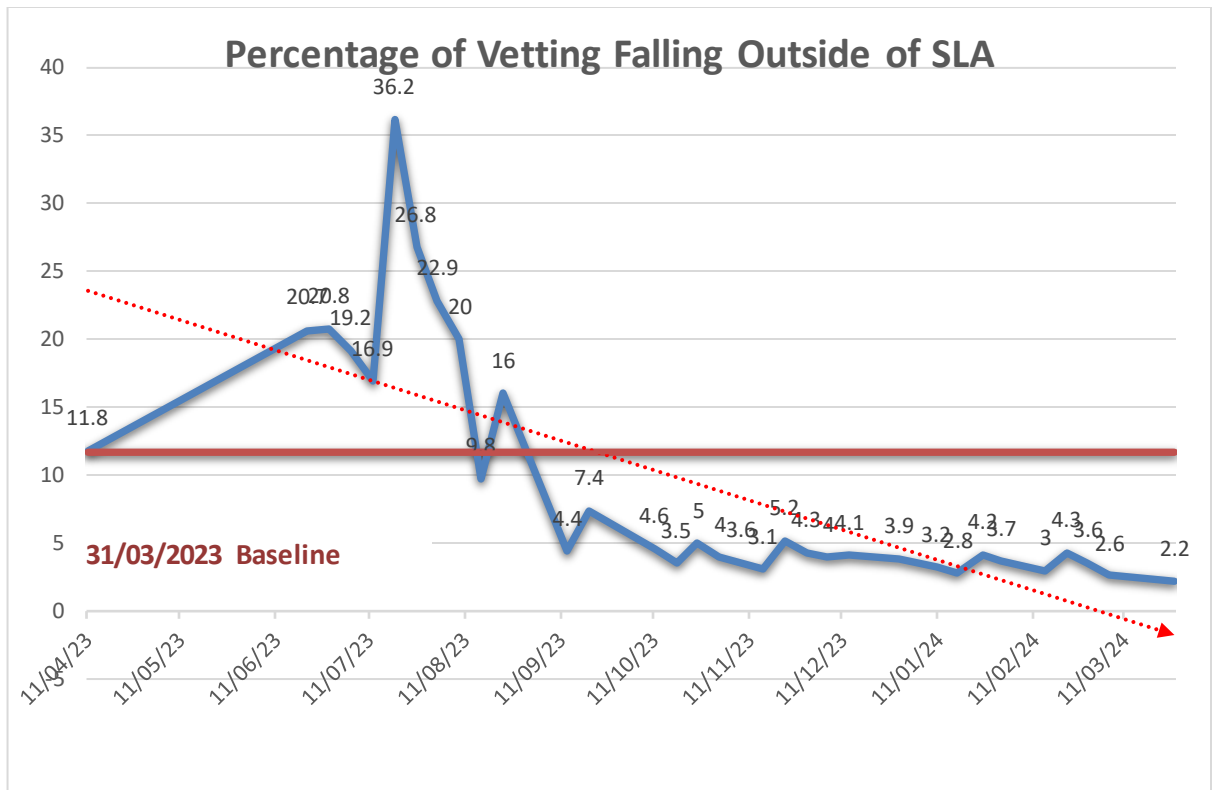
12. At the point of writing this report there are no end of year return outstanding; however one employer mentioned in paragraph 19 later in this report has submitted an incomplete return.
13. The deadline for submitting end of year returns was 19th April. The table below compares a snapshot of the progress between April 2023 and April 2024.

Action	April 2023	April 2024
End of year data received	111	154
End of year data outstanding	62	6
Number of employers data vetted and ready for final checks	15	87
Number of employers ready for annual benefit statement	0	47

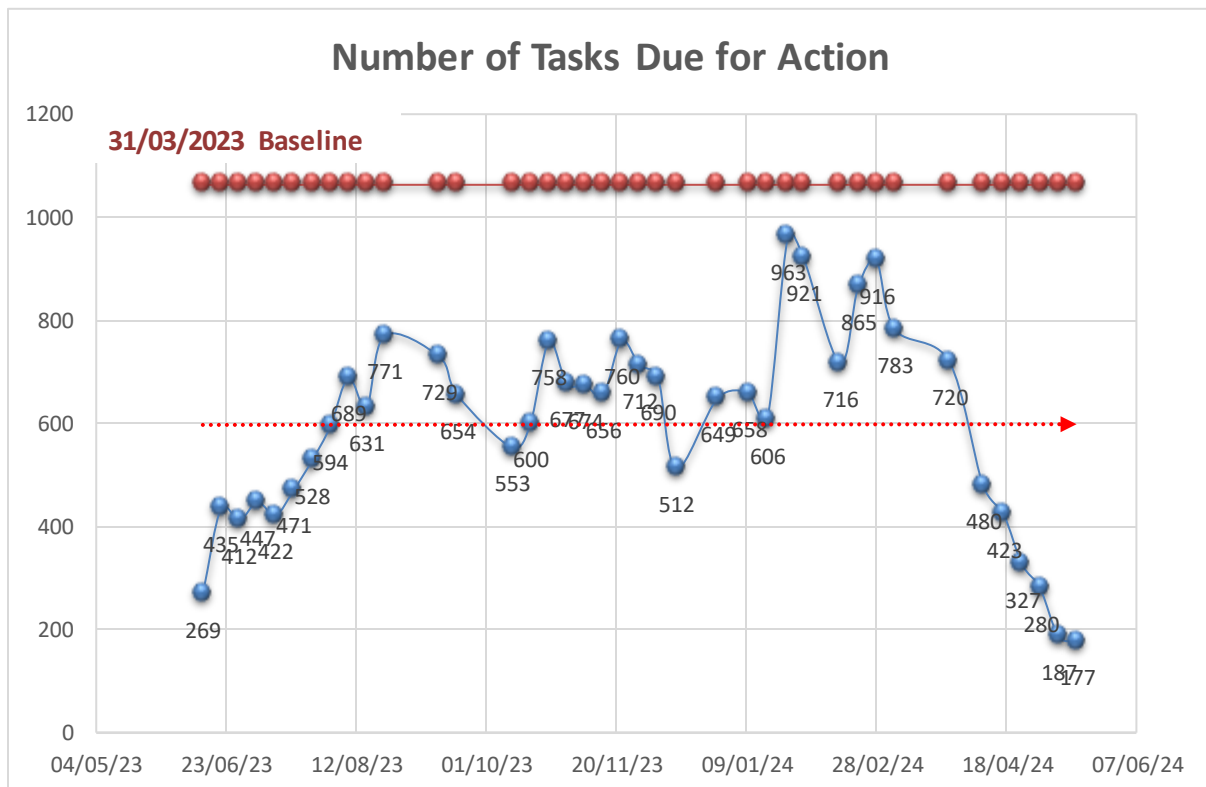
14. These figures show the significant progress made during 2023/24 both in managing the workload within the Employer Team and in the performance of our scheme employers in meeting their responsibilities in respect of the timely and accurate return of data. Currently there are no concerns to be reported and we are on track to meet the Annual Benefit Statement deadline of 31 August 2024.

Monthly data returns

15. The benchmark for incoming returns that were not vetted within SLA at March 2023 was 11.7%. As of March 2024, this was reduced to 2.2%.



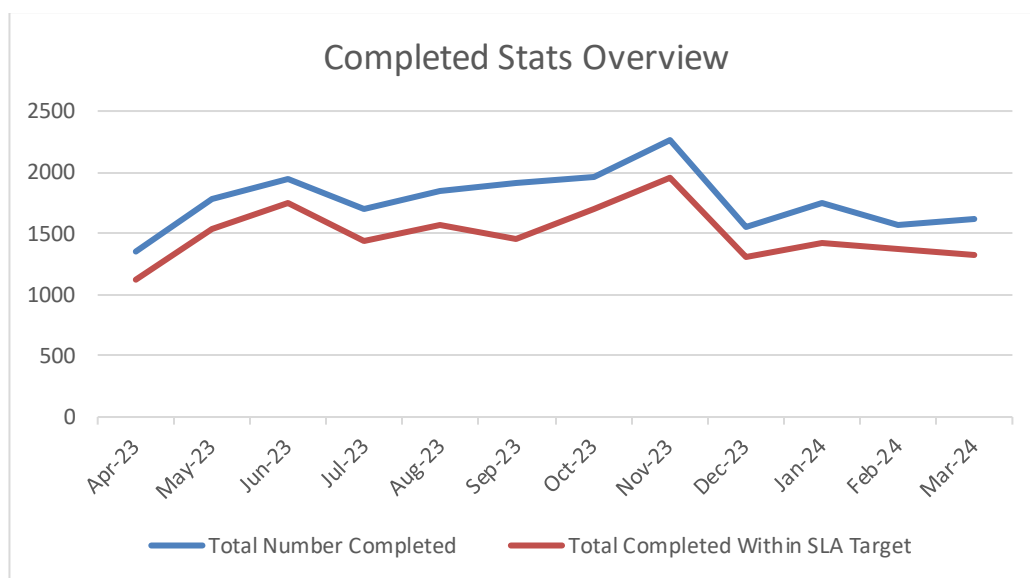
16. The chart shows tasks due for action and overall, the number has reduced from 1,063 in March 2023 to 720 in March 2024.



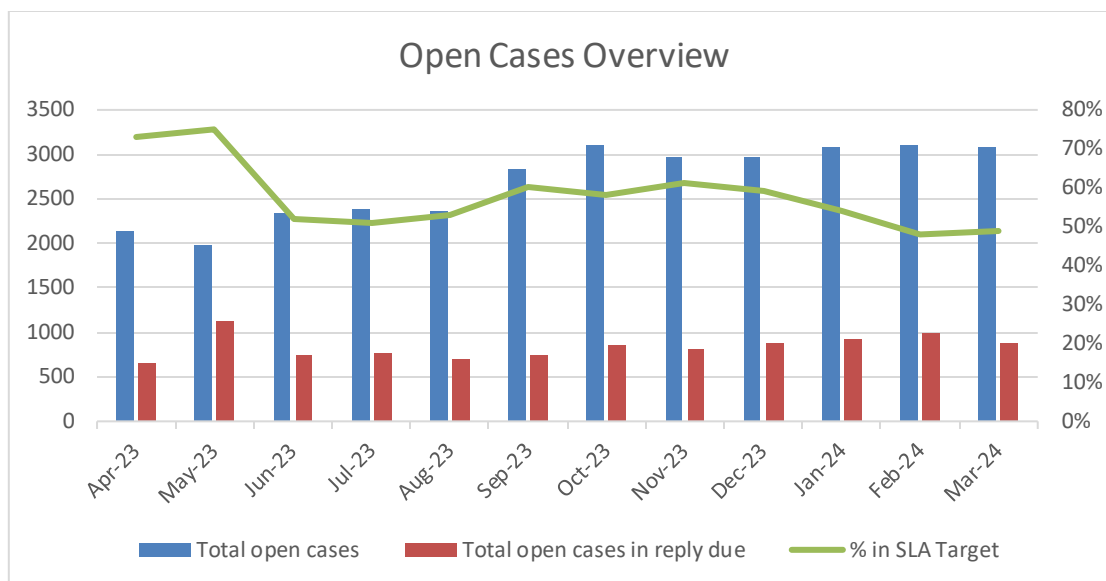
17. 62.5% of these cases are within SLA target. A visual report will be presented next quarter to show the trend on the SLA figures.
18. In this quarter, at 31 March 2024 there is:
 - 1 TUPE transfer due to contract reletting, the application form is received and is to be finalised.
 - 0 academy conversions.
 - 15 closure valuations recorded for 2023/2024.
19. Bernwode Schools Trust moved to Acer Multi-Academy Trust on 1 January 2024. The January, February and March monthly returns did not contain any transferring members from Bernwode Schools, and therefore, although submitted, the returns are incomplete.
20. As such, investments cannot reconcile the contribution payments for January, February, or March as we do not have the data to match. All efforts have been made to resolve the issue, including fines of £1,750 issued to the employer. This has now been reported as a breach of data.

Benefit Administration

21. The chart below shows the completion rate of work in 2023-24, with the red line showing what work has been completed within SLA target. In April 2023 82.99% of work was completed in SLA; in March 2024 this was 82.31%. There has been no significant change over the year.



22. The number of open cases shown below shows a decrease from 73% in SLA in April 2023 to 49% in SLA in March 2024. The blue columns show an increase in outstanding cases from 2,131 in April 2023 to 3,080 in March 2024, a difference of 949 cases.



SLA Monitoring

23. With the introduction of the revised Service Level Agreement in January 2024 it was agreed that future reports to this Committee would include details of the fines issued under the SLA.
24. In the quarter to March 2024, we only issued one fine of £75. This reflects the improved position in scheme employer performance as noted above. (N.B. The fines issued to the Acer MAT were all issued after the start of the new financial year and will be included in next quarter's report).

Suspended Pensions

25. As of March 2024, a total of 374 pensions are suspended, a reduction of 33 since previous quarter. Of these 173 relating to deceased as reason for suspension, which leaves 201 cases where the fund is either waiting for confirmation of death notification, or tracing pensioners who have not informed the fund of a change of address.

Statutory Returns

26. All returns have been made in deadline, there are no issues to report.

Fire Service Administration

27. As at 11 March 2024 there were 70 open cases, 13 are future dated (2024 to 2035), 39 are awaiting a reply from the member or an external body, 3 are leavers notified by IBC who are under retirement age, 1 relates to a retirement, 5 are general enquiries, 2 are Death cases, and the remaining 9 relate to requests for estimates or reviews after retirement.
28. Training is ongoing for team members to improve knowledge of the pension schemes and prepare for the work coming up for Remedy and the Second

Options Exercise for On-Call Firefighters.

29. The formal SLA document has now been finalised. We are now working on updating workflow and reporting on these. Statistics will be available for next quarter.

Complaints - Sean

30. In the quarter to March 2024, there were 5 informal complaints received, and one formal complaint was dealt with at Stage 2 of the Adjudication of Disagreement Procedure. The Stage 2 adjudicator dismissed the complaint which was in respect of a scheme employer's decision not to grant flexible retirement, finding that the decision was within both the terms of the relevant regulations, and the scheme employer's policies.

Data Quality

31. No issues to report – data is continuing to be reviewed as part of end of year process.

Contribution monitoring

32. In the quarter to March 2024, 8 payments were made past the deadline of 19th month following payroll. These have all been followed up with the scheme employer resulted in payments being made to the fund.

Projects

33. The review of the historic death cases where there is outstanding information needed to complete the files is still to be finalised. Calculations to identify any over or under payments and benefits due are now almost complete and the outcome of this review will be reported to this Committee in September 2024.
34. Administration to Pay (A2P) – death grant payments have now gone live, and whilst there is a technical issue which Heywood are working to resolve we have a manual workaround in the short-term and this project is therefore deemed complete.
35. McCloud is behind schedule with 32% of employers still to confirm their data and 35% of data received still to be uploaded onto active member records. In addition, we have just over 4,000 cases to review calculations with the McCloud remedy.
36. The reviewing of calculation is complex, and the McCloud team lacks the skill and knowledge to progress the cases. A plan is to move work around the team by skill and knowledge, but resource remains an issue. This is known to be a national problem, and we are awaiting further guidance from Government/Scheme Advisory Board on priorities and dealing with missing data. The System providers are also endeavouring to develop their systems to deal with the significant complexities of implementing the remedy.

37. Pension Dashboards - the Pension Regulator has now confirmed a staging date of 31 October 2025. A project plan will be written and included in the September administration report.
38. Age Discrimination Remedy – Fire Service
- [The Firefighters' Pensions \(Remediable Service\) Regulations 2023 \(legislation.gov.uk\)](https://www.legislation.gov.uk) were issued on 20 July 2023 with an effective date of 1 October 2023. Immediate Detriment quotes have now ceased and cases already processed will be reviewed once final guidance has been received from LGA.
 - Formal retirement quotes for retirements after 1 October 2023 are now being issued. Advance notice of retirements has been requested – this is necessary to enable advance work to be done – especially where the member has exceeded either the Lifetime Allowance or Annual Allowance as this requires separate calculations to be undertaken and reported to HMRC.
 - Disclosure letters were sent in December 2023 to all scheme members.
 - An update was sent to all operational staff at the end of January 2024.
 - Data is being collated by IBC and batches of data are being sent to Pension Services. To date we have received 19.3% of the total data. IBC are working on sending through all data by 30 April 2024 and regular reviews are being made. Any concerns will be escalated to the Remedy Project group / Local Pension Board chair.
 - A review of the project timeline was undertaken with Claire Johnson from LGA on 28 February, and it was noted that all work is covered. LGA are providing regular updates, and the project timeline indicates where advice is still required on tax issues to enable a review of retirements undertaken under the Immediate Detriment framework to be made. Confirmation of the Remediable Service Statements (RSS) for active and deferred members is also awaited.
 - System software is being delivered and detailed testing will be required for the RSS and annual benefit statements once we have received all relevant info and the system changes have been made and delivered.
39. On-Call Second options exercise – Fire Service.
- A working group has been established to look the work required, and plan the work required over the 18-month implementation period.
 - Letters were sent to all 551 eligible on-call firefighters in December 2023.
 - 74 forms have been received back to request further information and these forms are being acknowledged with further information on timescales for issuing the quotations. 2 members have indicated they do not wish to receive further information.
 - A full address trace was undertaken in March 2024 for the remaining members – 13 have been confirmed as deceased; 153 are living as stated and will be sent a chase letter in March 2024. A new address has been received for 256 members and a letter was sent to this address in March 2024 to request completion of the expression of interest form. 50 members cannot be traced, and the address tracing agency have suggested that a full address trace should be undertaken for these members. The cost of this will need to be approved, and costs have been

passed to the LPB chair.

- Data is being collated for the members who have returned their expressions of interest in preparation for the process of calculating benefit entitlement and cost. These calculations began during April 2024.
- System software is being developed by our software provider.
- A Timeline has been developed to log progress made.

Debt Management

40. The current value of outstanding invoices amounts to £32,950, which are going through the process for recovery. There are no specific issues to report.
-

Member Self – Service

41. The table below shows the latest information on members signing up to use member self-service.

MSS Numbers	Opted In	Opted Out	No Choice	Total
Actives	11,887	293	9,825	22,005
Undecided				
Leavers	801	20	895	1,716
Deferreds	14,972	701	12,653	28,326
Pensioners	10,081	5622	1,141	16,844
Spouses	743	777	795	2,315
Frozen				
Refunds	958	9	9,016	9,983
	39,442	7,422	34,325	81,189

MSS Percentages	Opted In	Opted Out	No Choice
Actives	54.0	1.3	44.6
Undecided			
Leavers	46.7	1.2	52.2
Deferreds	52.9	2.5	44.7
Pensioners	59.8	33.4	6.8
Spouses	32.1	33.6	34.3
Frozen			
Refunds	9.6	0.1	90.3
Total	48.6	9.1	42.3

42. As requested by the Pension Board, the tables show numbers of members and percentages in each category who have registered to use Members Self-Service, have opted out and requested all communications by post, and those who have neither opted in or out.
43. Overall, just under half of our members have now registered with Member Self-Service, although disappointingly, another 42% have not made any decision and therefore neither receive communications on-line through the portal, on via post.
44. The figures show that perhaps unsurprisingly our Pensioners are the most engaged with over 93% of them having made a clear decision on how they wish to receive communications from us. Conversely, those least engaged are those who have left without an entitlement to benefit

but are due a refund of their contributions. Many of these are former casual staff at Brookes University who we have no contact information for, and so cannot process the refund.

45. We continue to work to seek to engage with the 40%+ of active, deferred and undecided leavers (those who have yet to confirm whether they wish to defer their pension in the Fund or transfer it to a new pension provider). It is hoped that the introduction of the Pension Dashboard will prompt those deferred and undecided leavers to review where they have pension benefits and contact us to establish communication channels. For active members, we are working closely with scheme employers to encourage registration or opt out.

Contact Officer: Vicki Green - Pension Services Administration Manager
Tel: 01865 323660 Email: vicki.green@oxfordshire.gov.uk
May 2024

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Division(s): n/a

ITEM 20

PENSION FUND COMMITTEE – 7 JUNE 2024

CASH FLOW, FUNDING RISK UPDATE & 2025 VALUATION PLANNING

Report by the Executive Director of Resources & Section 151 Officer

1. RECOMMENDATION

The Committee is **RECOMMENDED** to

- a) note the updated funding position and the reasons for the change since the 2022 valuation,
- b) note the key funding risks currently facing the Fund,
- c) agree to the pre-2025 valuation planning actions to be taken by the Fund as set out in paragraph 42, and
- d) consider the cash flow implication throughout the 2025 triennial valuation process and next strategic asset allocation review.

Executive Summary

- 2. As set out in the Business Plan for this year, there are a number of inter-related issues which the Committee need to address during the forthcoming year, which ultimately will lead to the approval of revised Funding Strategy and Investment Strategy Statements, and the agreed approach for the 2025 Valuation. This report begins this process, and provides the context for the work with an update on the funding position of the Oxfordshire County Council Pension Fund as at 31 March 2024.
- 3. It also provides an update on changes to the funding environment since the 2022 valuation, the risks currently faced by the Fund and the actions to be taken to help manage these risks as part of the 2025 valuation. Finally, the report covers the latest position on the Fund's cash flow and sets out the inter-relationships between cash flow, and the decisions this Committee needs to make in respect of the 2025 Valuation and the next strategic asset allocation. More details of each issue are included in the two annexes to this report prepared by the Fund Actuary.

Updated Funding Position

- 4. The funding position of the Oxfordshire County Council Pension Fund as at 31 March 2024 is 146%. This represents an improvement in funding level from 111% at 31 March 2022.
- 5. Whilst this improved funding position is good news, there are limitations to the usefulness of the funding level metric because it is based on a single set of assumptions about the future and asset values at a single point in time. It also only

recognises benefits earned to date (“past service”) and not the cost of future benefits.

What has happened since the 2022 valuation?

6. The Fund’s assets have remained relatively stable since the 2022 valuation, meaning that the Fund currently holds a similar amount of money to pay each pound of pension as they did at the 2022 valuation date.
7. Inflation has risen sharply since the valuation date. Benefits have increased by 10.1% in 2023 and 6.7% in 2024, increasing the value of the Fund’s liabilities (in isolation). This has also had an impact on the Fund’s cashflow profile as current benefit payments have also increased in line with the above pension increases.
8. However, despite these flat investment returns and inflationary pressures, the funding level has still improved. The improvement in funding level has largely been driven by an improved investment outlook due to a sharp rise in global interest rates (leading to higher expected future returns across all asset classes), which has more than offset the high inflationary pressures.
9. As at 31 March 2024, we now estimate that the Fund will achieve a much higher investment return of 6.6% pa (with a 70% likelihood of being achieved), compared to a return of 4.6% at 31 March 2022 (with the same likelihood).
10. Higher future investment returns lead to a lower value being placed on the Fund’s future benefit payments (liabilities). This means that the improved funding level is reliant on the Fund achieving higher investment returns in the future as opposed to holding more assets today (per pound of pension). The Fund therefore needs to carefully consider its options for managing this surplus.

Key Funding Risks

11. There remains uncertainty in financial markets and material risks facing the Fund. There has been a significant shift in the economic environment since the 2022 valuation and the Fund is now facing new risks and opportunities. The key funding risks that the Fund continues manage are:
 - a. Investment risk
 - b. Inflation risk
 - c. Cashflow risk
 - d. Longevity risk
 - e. Climate risk
 - f. Employer covenant risk

Investment risk

12. All assumptions (especially those on future investment performance) remain uncertain, especially during periods of increased market volatility. The funding position is based on future returns with a 70% assumed likelihood of being achieved. In other words, there is still a 30% chance that returns will be lower than

we assume. Fund officers will review prudence levels (ie the assumed likelihood of achieving returns) and the investment strategy at the 2025 valuation.

13. Currently all employer assets are invested in a single strategy with a mix of investments held across broadly three areas: growth (such as equities), protection (such as bonds) and income (such as property).
14. As part of an investment strategy review the Fund will consider the impact of investment income on cashflows and the current levels of risk in the portfolio. For example, some employers may now wish to reduce exposure to riskier assets (such as equities) given the strong funding positions. Fund officers plan to explore options for providing employers an alternative investment strategy at the 2025 valuation.

Inflation risk

15. Inflation is a key risk for pension funds to manage. Higher inflation increases the cost of benefits, which increases longer term funding costs but also has an immediate impact on shorter term cashflow (pensions in payment).
16. Although the expectation is for inflation to fall, it remains uncertain. Persistently higher inflation is a risk for pension funds. For example, if pension increase are 1% pa higher than we assume over the long term, this will reduce the funding level by around 20%.
17. Fund officers will continue to monitor inflation trends and will include stress tests on funding strategy and cashflow modelling to help understand and manage this risk.

Cashflow risk

18. As set out in the Fund's Funding Strategy Statement a main objective of the Fund is to *'take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants'*. To meet this objective, it is necessary to understand how the Fund's cashflow position is likely to evolve over the longer term.
19. Historically the Fund has been cashflow positive on the balance of pension contributions received and pension benefits paid. As the scheme matures the cashflow position can be expected to reverse leaving a cashflow deficit that needs to be covered as is the case for several other LGPS funds already.
20. High inflation over recent years has also led to a large increase in benefits paid over and above the increase in contributions seen from the level of pay rises bringing forward the point the Fund is likely to reach a cashflow negative position.

Cashflow Projections

21. Attached at Annex 1 is a report produced by the Fund's actuary Hymans Robertson considering the Fund's cashflow position over the coming years under several different scenarios.
22. Under the baseline scenario the Fund is expected to become consistently cashflow negative from 2028. Under this scenario the Fund would have an income requirement of approximately 0.6% per annum to remain cashflow neutral over the 20-year assessment period.
23. The report considers the impact of different scenarios for inflation, employer contribution rates, and a reduction in membership on the Fund's cashflow position as well as a 'worst case' scenario combining negative cashflow impacts from all three areas.

Next Steps on Cash Flow

24. There are broadly two options for meeting a cashflow shortfall for the Fund; generating and utilizing investment income, and/or periodic sales of investment assets.
25. Using investment income has the advantage of avoiding transaction costs but has limited scope for control to adjust to situations where the cashflow position is different to the forecast and may lead to the need for rebalancing due to the income being taken only from certain portfolios.
26. Sales of investments allows greater control over the amount and timing of cash receipts to the Fund as well as over asset allocation against target but incurs costs in the sale process.
27. The Fund currently has several portfolios that can distribute income as detailed in the table below:

Portfolio	Approximate Income Yield
Secured Income	6%
UK Property	3%
International Property	3%
Private Debt	8%
Listed Private Equity	3%

28. At the whole fund level opting to receive income on all these portfolios would generate a yield of approximately 1%. This level of income would be sufficient to meet the cashflow requirements under the majority of the scenarios modelled with the exception of the high inflation scenario and 'worst case' scenario.
29. The Fund will need to consider cashflow impacts when undertaking the 2025 triennial valuation and when reviewing its strategic asset allocation in the review due to take place at the beginning of 2026. As part of the strategic asset allocation review the Fund should consider the development of a cashflow management policy.

Longevity risk

- 30. Recent longevity trends have seen increased deaths in recent years. In 2020 and 2021, these deaths were a result of the Covid-19 pandemic, however the cause of these excess deaths in 2022 and 2023 is less clear cut.
- 31. Understanding these demographic trends and setting appropriate mortality assumptions is key to managing longevity risk. The Fund's longevity assumptions will be reviewed as part of the 2025 valuation and the Fund should consider its beliefs around future longevity improvements.
- 32. With increased levels of uncertainty on the lasting impact of the pandemic and future longevity, the Fund may consider maintaining a funding cushion to help manage these uncertain outcomes.

Climate risk

- 33. Climate risk is now widely regarded as one of the main sources of risk for pension schemes, with potential implications for future inflation, investment returns and longevity.
- 34. At the 2022 valuation, the Fund carried out scenario analysis representing a broad range of possibilities for how the world might respond to climate change. Despite imposing significant stresses and big increases in volatility, the impact on risk metrics of these scenarios was quite modest.
- 35. However, climate change has the potential make extreme outcomes more likely, therefore it is important to consider catastrophic outcomes when assessing the impact of climate risk. As part of the 2025 valuation, we will therefore consider new, 'extreme', scenarios (complementing the existing scenarios) allowing the Fund to assess the impact of catastrophic outcomes on funding strategies.
- 36. Ahead of the 2025 valuation, the Fund will review its approach to managing climate risk, including setting objectives, capturing views and beliefs and carrying out scenario modelling.

Employer covenant

- 37. Although the recent improvement in funding is good news, employers continue to face a wide variety of challenges from the evolving economic, demographic and regulatory environment. Higher inflation, interest rates and pay awards are all putting pressure on organisations.
- 38. As part of the 2025 valuation, the Fund will assess employer covenant risk to ensure early engagement with employers and appropriate risk categorisation. The

Fund will also consider how this risk categorisation impacts on its holistic approach to setting employer funding strategies.

2025 valuation planning

39. As part of the preparatory work to help inform the Fund's funding and investment strategy in this new economic environment., the Fund is reviewing the following areas:

- Employer contributions
- Investment strategy
- Prudence levels
- Treatment of surplus
- Risk management for other sources of uncertainty and volatility.

40. Given the current cost pressures facing employers, there may be a desire for contribution rate reductions at the 2025 valuations. However, the Fund will need to consider how to manage any contribution rate reductions against the potential need to increase contribution rates in the future. The impact of any contribution reductions on the Fund's cashflow needs will also be considered.

41. Given the improvement in funding, many employers may now want an opportunity to manage volatility in their funding position by reducing their exposure to investment risk. Fund officers are considering providing an appropriate alternative investment strategy (in addition to the main strategy) which aims to reduce volatility for employers and stabilise long-term contribution rates.

42. The Fund should review the prudence levels in the funding strategy to help explore if the current market conditions and increased levels of volatility and uncertainty around certain risks warrant management by increasing levels of prudence. An alternative approach is to deliberately target a given level of surplus by targeting a funding level of above 100% before considering any reductions in employer contribution rates.

43. Ahead of the 2025 valuation, the Fund will therefore:

- Engage early with employers and other stakeholders to plan the valuation effectively;
- Monitor employer funding and covenant risks, including early engagement with high risk employers;
- Engage with all employers ahead of the valuation to build up appropriate messaging around the current economic environment;
- Consider options for funding and investment to help manage the current surplus including a review of current prudence levels; and
- Carry out contribution rate modelling for the long-term, secure employers to inform budget setting, including consideration of an alternative long-term investment strategy aiming to reduce investment volatility.

- Develop a cashflow management policy that considers the impact of potential outcomes at the 2025 valuation such as changes in investment strategy and contribution reductions.

Lorna Baxter Executive Director Resources and Section 151 Officer

May 2024

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Oxfordshire County Council Pension Fund

Page 105

Cashflow projections



Tom Hoare FFA

21 May 2024

For and on behalf of Hymans Robertson LLP

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Use the menu bar above to navigate to each section.

Contents

In this report:

	Page
Executive summary	3
Background and inputs	4
Inflation scenarios	11
Impact of contribution rate reductions	18
Membership reduction	24
‘Worst case’ scenario	26
Sensitivity of net cashflow	30
Next steps	32
Reliances and limitations	34

Executive summary

This paper is addressed to Oxfordshire County Council as the Administering Authority to the Oxfordshire County Council Pension Fund (“the Fund”). The paper considers future projections of the Fund’s cashflows under a range of different scenarios. The analysis and projections will help the Fund to better understand its current and potential future cashflow position, a key risk-management issue.

From the analysis and projections set out in this paper, the following conclusions can be drawn:

Page 107



In the absence of investment income, the Fund is likely to become consistently cashflow negative by 2028 after recognising the pension increase of 10.1% in April 2023 and 6.7% in April 2024, as well as pay growth in line with national local government pay award information. This is later than previously anticipated (2025) as part of the analysis carried out in January 2023 due to increased contribution income as a result of local government pay awards.



The cashflow position of the Fund is sensitive to future levels of inflation. The recessionary scenario represents a “hard landing” and associated new period of low inflation. Under this scenario, the Fund’s cashflow position is improved (compared to the baseline position, however the Fund is still expected to become consistently cashflow negative by 2029).



In the longer-term, the most significant risk to the Fund (in respect of its cashflow position) is a high inflation scenario, where inflation remains elevated for a longer period. Under this scenario, the Fund is projected to become cashflow negative by 2026 with the gap increasing to a material level in the longer-term.



A reduction in contribution rates at the 2025 valuation will reduce the contribution income received by the Fund in the long-term and will worsen the Fund’s cashflow position. A significant gap would open up if contribution rates are reduced to the same level as employee contribution rates.



An immediate 10% reduction the active membership would worsen the position of the Fund relative to the baseline over the short to medium term, mainly due to the reduction in contribution income.

Background and inputs

What is cashflow negativity and does it matter?

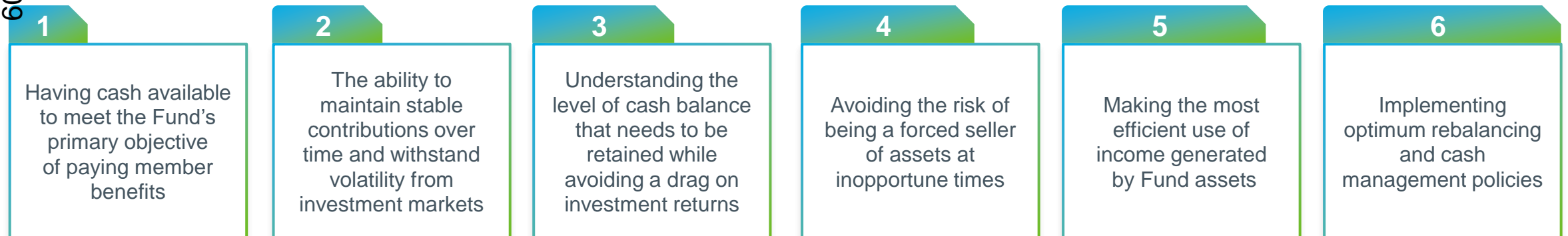
Every month, the Fund receives income via contributions and pays out benefits to members. Historically, the benefits have been paid out of the contribution income with any excess being invested. This is how the Fund's asset value has built up over time (along with investment returns).

Over time a pension fund will mature, and the level of benefit payments will start to exceed contribution income. At this point, a pension fund is considered "cashflow negative".

Being cashflow negative itself is not unexpected for a pension fund; the assets that have been accrued are for the purpose of paying benefits. However, if the transition to being cashflow negative is not monitored and managed effectively, it can pose a liquidity risk and the Fund may become a forced seller of assets.

After the 2022 valuation, the focus on cashflow is greater given the significant increases in benefits (10.1% at April 2023 and 6.7% at April 2024) due to rising inflation.

Knowing when the Fund is likely to be cash flow negative is helpful as it can have implications for both the funding and investment strategy:



This paper explores the Fund's cashflow position under a variety of different scenarios to inform its approach to cashflow management

Recent cashflow position

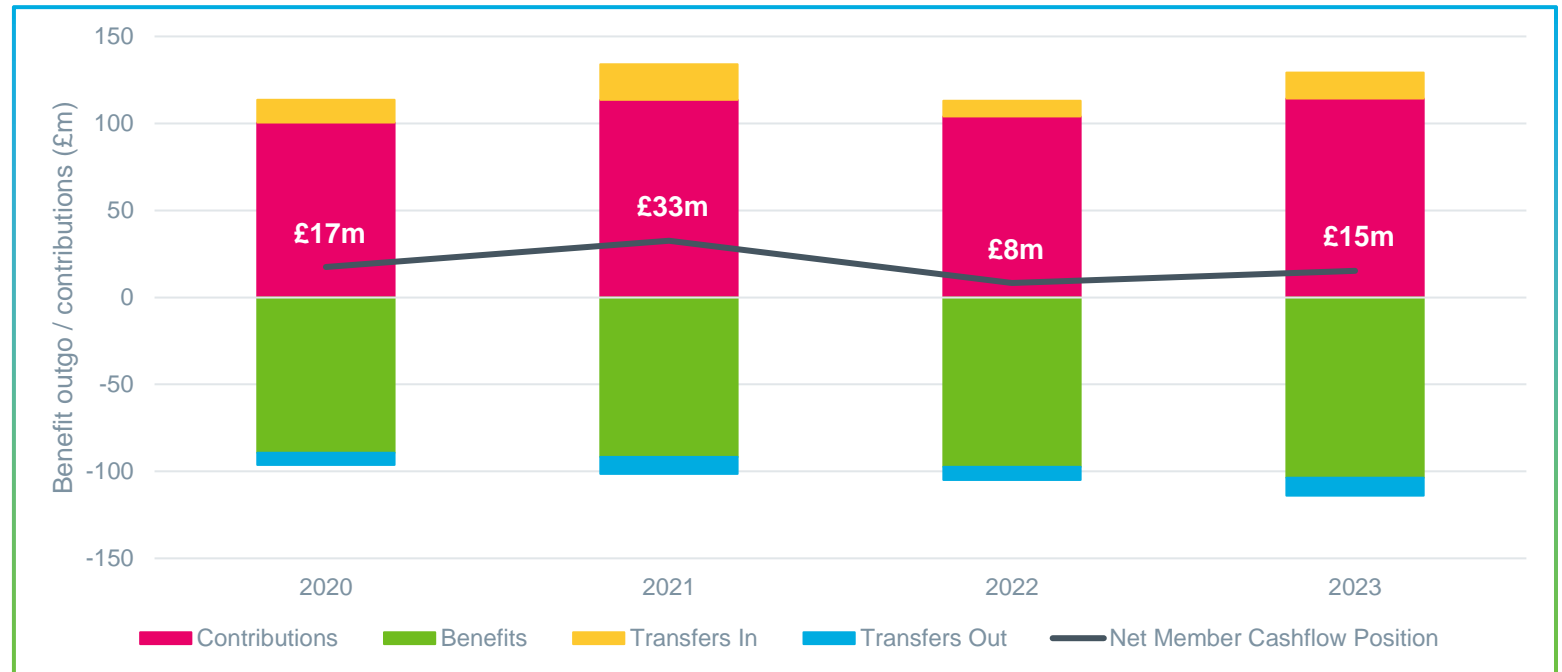
Using the annual report and accounts for years ending 2020, 2021, 2022 and 2023 (draft), we have analysed the recent cashflow position for the Fund.

The chart shows the absolute value of contribution income and benefit outgo (bars) and the net cashflow position (line and figures).

During this period, the Fund was cashflow positive, i.e. contribution income exceeded benefit outgo.

Transfers in and out of the fund can significantly affect the net cashflow position. In 2020/21, there were c.£20m of transfers into the Fund which helped increase the net cashflow position. These were then partially offset by c.£10m of transfer out in the same period.

NB, the average investment income yield (net of fees) is c.0.1% of assets pa.



The cashflow position has been positive in recent years. Excluding the impact of transfers, the current net cashflow position is around £10m (contributions exceeding benefits).

What are the cashflows of the Fund

In this paper we consider the main cashflows in and out of the Fund over the next 20 years.

The Fund's primary sources of income are:

- Contributions from employers in the Fund
- Contributions from employee members in the Fund
- Income streams generated from the Fund's investments

Contributions paid are estimated based on:

- Assumed total pensionable payroll of £413,402,000 for the 2022/23 financial year
- An allowance for increase in payroll in 2023 and 2024 in line with national local government pay award information.
- The aggregate of all certified employer contribution rates payable from 1 April 2023 to 31 March 2026. Thereafter the contribution rate has been assumed to remain stable up to year 20.

The Fund's outflows are the benefits payable to the members and their dependants. These include:

- Retirement lump sums paid to active and deferred members on retirement
- Retirement pensions paid to pensioners and their dependants
- Death in service benefits and ill health benefits.

Transfers in and out of the Fund by individual members are not usually a significant source of income or outflow and typically balance out over time.

The projected cashflows are sensitive to several assumptions. The most significant are:

- Level of future benefit increases (LGPS benefits are generally index-linked and increase in line with Consumer Price Index (CPI) inflation)
- Level of current and future payroll (determines the amount of contributions received)

We have prepared future cashflow projections under a range of different inflation scenarios to inform decision making. This helps the Fund understand the sensitivity of its cashflow position to these sources of uncertainty and make appropriate management plans.

Data, assumptions and methodology

Membership data

We have used the membership data provided for the 2022 valuation of the Fund.

Assumptions

The demographic and financial assumptions are in line with those adopted for the 2022 valuation of the Fund unless stated otherwise.

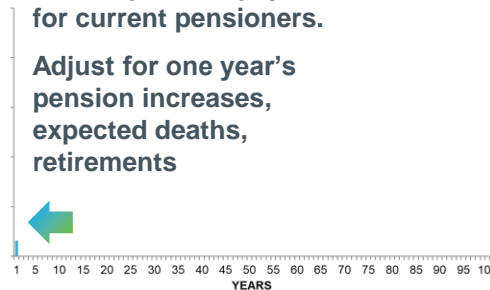
Further information on the membership data and assumptions is detailed in the 2022 valuation initial results report dated August 2022, and in the final valuation report dated March 2023.

Allowance for benefit outgo in respect of benefits yet to be accrued by current active members is included in the projection; however, given the relative short timeframe considered, no allowance has been made for benefit outgo in respect of accrual by members yet to join the scheme.

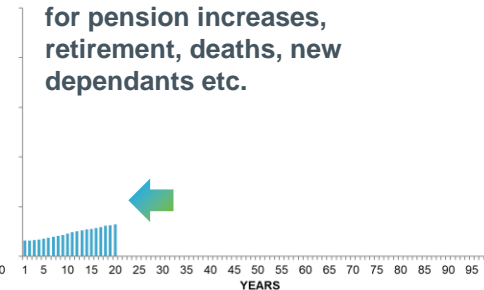
Methodology: how we project benefit payments

Known pension payments for current pensioners.

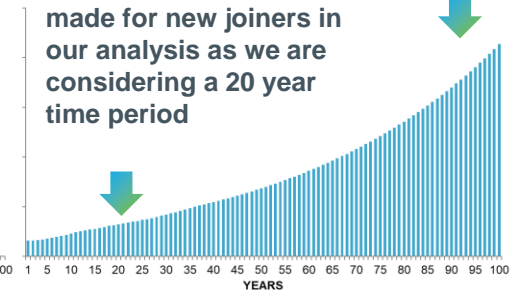
Adjust for one year's pension increases, expected deaths, retirements



Adjust each year allowing for pension increases, retirement, deaths, new dependants etc.



No allowance has been made for new joiners in our analysis as we are considering a 20 year time period



Methodology: projecting contribution income

- Payroll is assumed to stay constant in real terms, i.e. it increases in line with the valuation assumption of 2.7% pa, however an allowance has been made for an increase of 6.5% in 2023 and 6.1% in 2024 in line with the national local government pay award information.
- Employer contributions are assumed to be in line with the pattern as set out on page 7
- Employee contributions are based on the weighted average for the Fund at the 2022 valuation (6.6% of pay).

Scenarios explored

Future CPI inflation

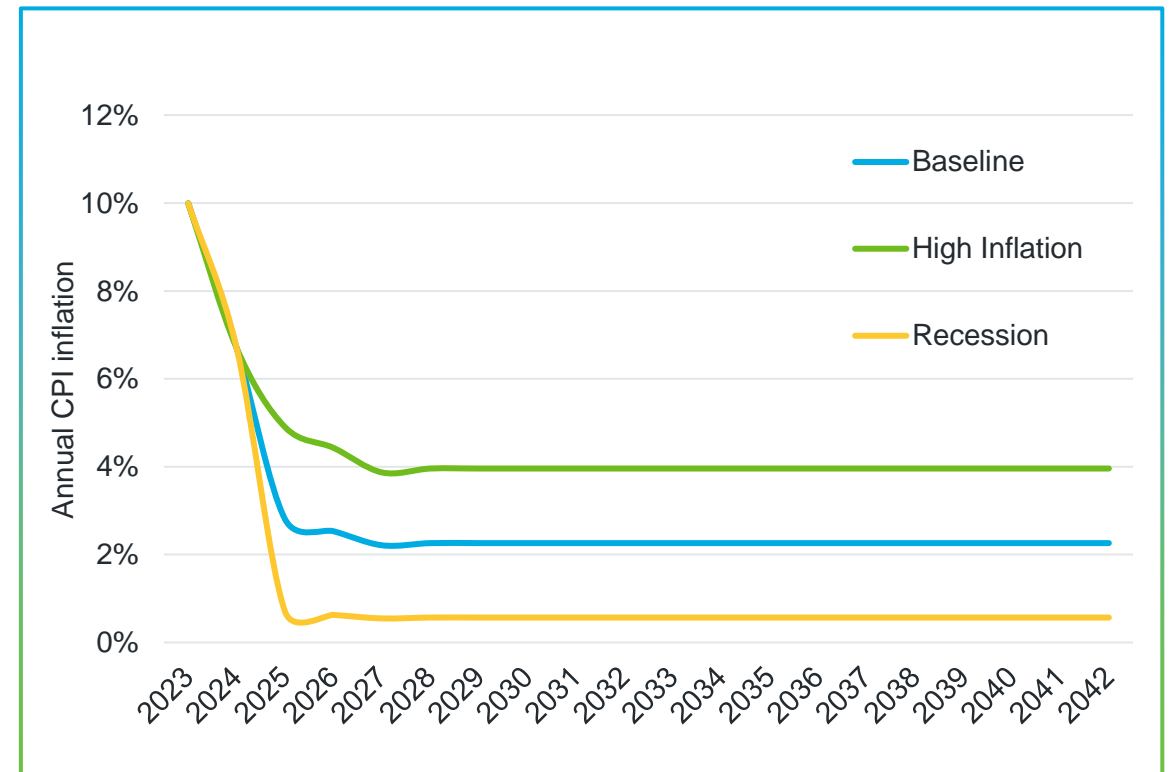
Given the sensitivity of future benefit payments to inflation, we have considered three potential scenarios for future inflation. All scenarios recognise a 10.1% increase in benefits in April 2023 and a 6.7% increase to benefits in April 2024:

Page 113

Scenario 1: this **baseline** scenario represents consensus forecasts for future inflation based on current market data. This is a combination of short-term market expectations and longer-term expectation that the rate will tend towards the Bank of England's 2% target.

- Scenario 2: this represents a plausible **recession** scenario, occurring largely due to excess supply over demand because of higher energy and food prices. This results in a "hard landing" and associated new period of low inflation remaining below the Bank of England target.
- Scenario 3: this represents a plausible **high inflation** scenario where inflation remains high due to higher energy and food prices.

In all scenarios we have kept the payroll growth assumption constant at 2.7% pa. However, we have made an allowance for higher pay increases in 2023 and 2024 in line with the national local government pay award information.



Scenarios explored (continued)

Impact of contribution rate reductions

Current market outlook has led to strong funding levels for the majority of the LGPS. We have therefore considered the application of a funding strategy at the 2025 valuation like that of the 2022 valuation. Employer contribution rates are reduced by 1% of pay pa for three years from 2026, then remaining at this reduced level for the remaining projection period.

Membership reduction

We have also considered a scenario where there is an immediate 10% reduction in the Fund's active membership. This helps understand the sensitivity of the cashflow projections to future payroll levels. We have adjusted the average % of pay contribution rate in payment in this scenario to some elements of the employer rates are set in monetary amounts.

'Worst case' scenario

To help stress test the Fund's cashflow position against the factors which have a significant impact, we have also considered a 'worst case' scenario. This scenario combines the impact of the high inflation scenario, reduced contribution income and an immediate 10% reduction in the Fund's active membership. It should be noted that this scenario is the 'worst case' only in the context of the cashflows stresses already modelled. More extreme worst-case scenarios are possible which have not been considered in this paper.

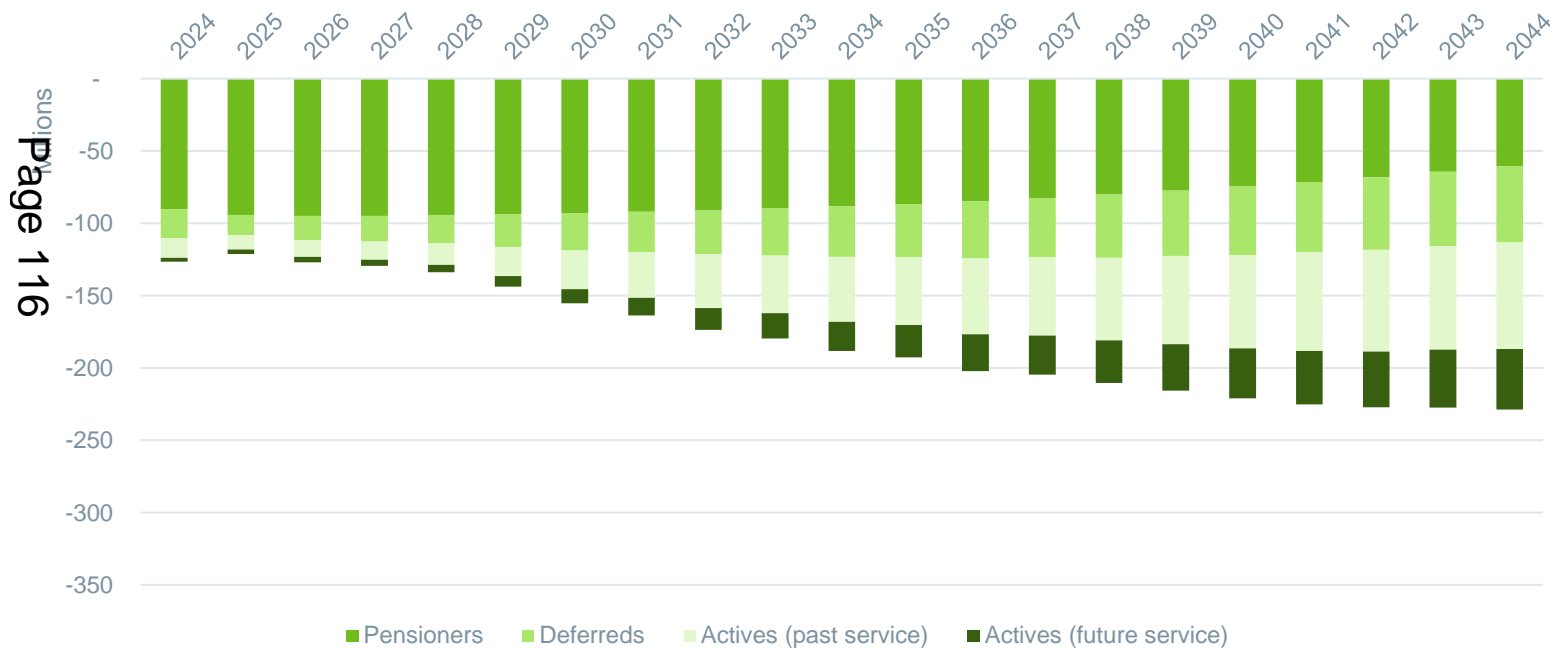
Investment yield sensitivity

Based on the Fund's average investment income yield over the last 3 years, we have analysed the net cashflow position, allowing for estimated net investment income. We have also considered scenarios where the net investment income is increased/reduced from the current level.

The results of our analysis under all these scenarios are set out on the following pages

Inflation scenarios

Projected benefit outflows (baseline scenario, consensus inflation)



Notes

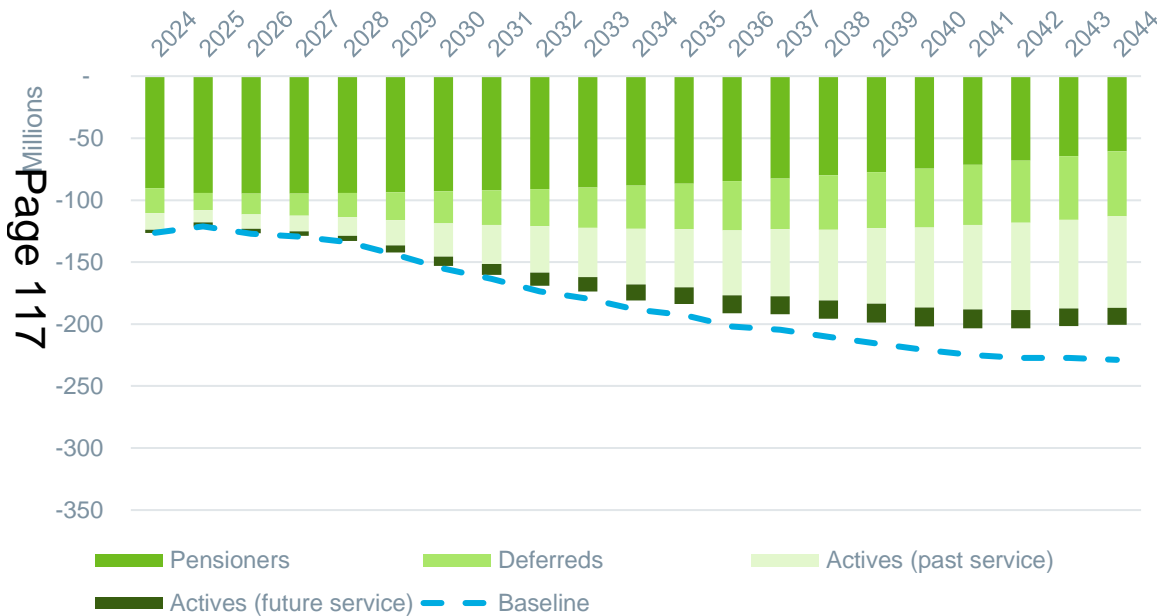
The years along the x-axis (horizontal) refer to the year-end i.e. 2024 means the 2023/24 financial year (from 1 April 2023 to 31 March 2024).

The (very slight) increased benefit outflow in 2024 in comparison to 2025 is because of the model assumption that all active members already past their assumed retirement age will retire 1 year after the valuation date (2022). In reality these outflows would be spread across a longer period.

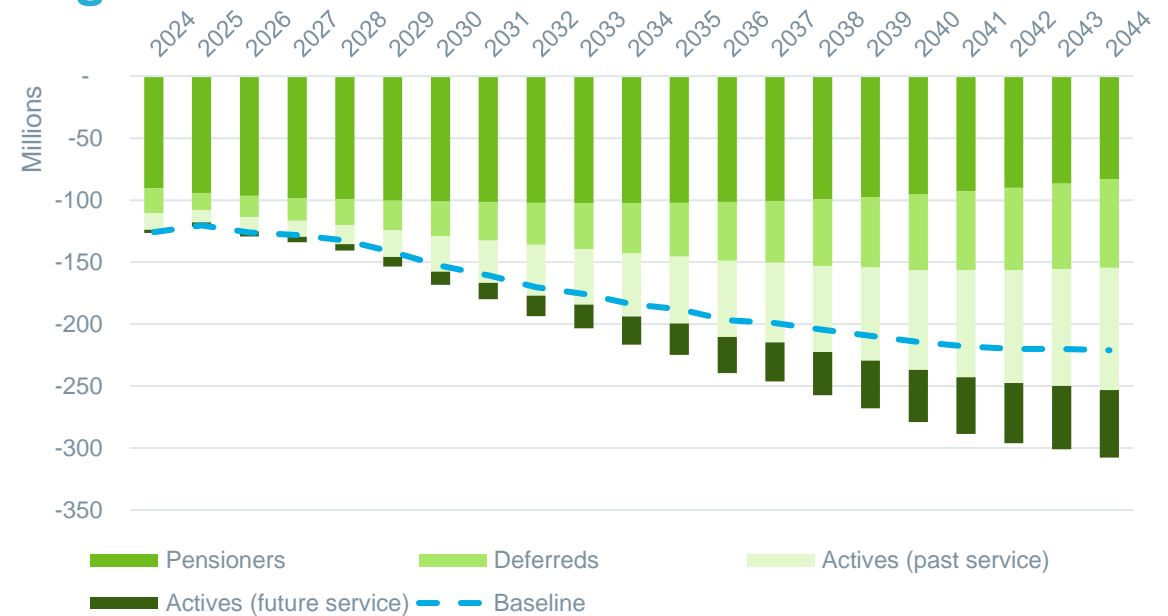
The Fund currently pays around £105m in benefit payments. This is expected to double by 2038.

Projected benefit outflows (alternative inflation scenarios)

Recession

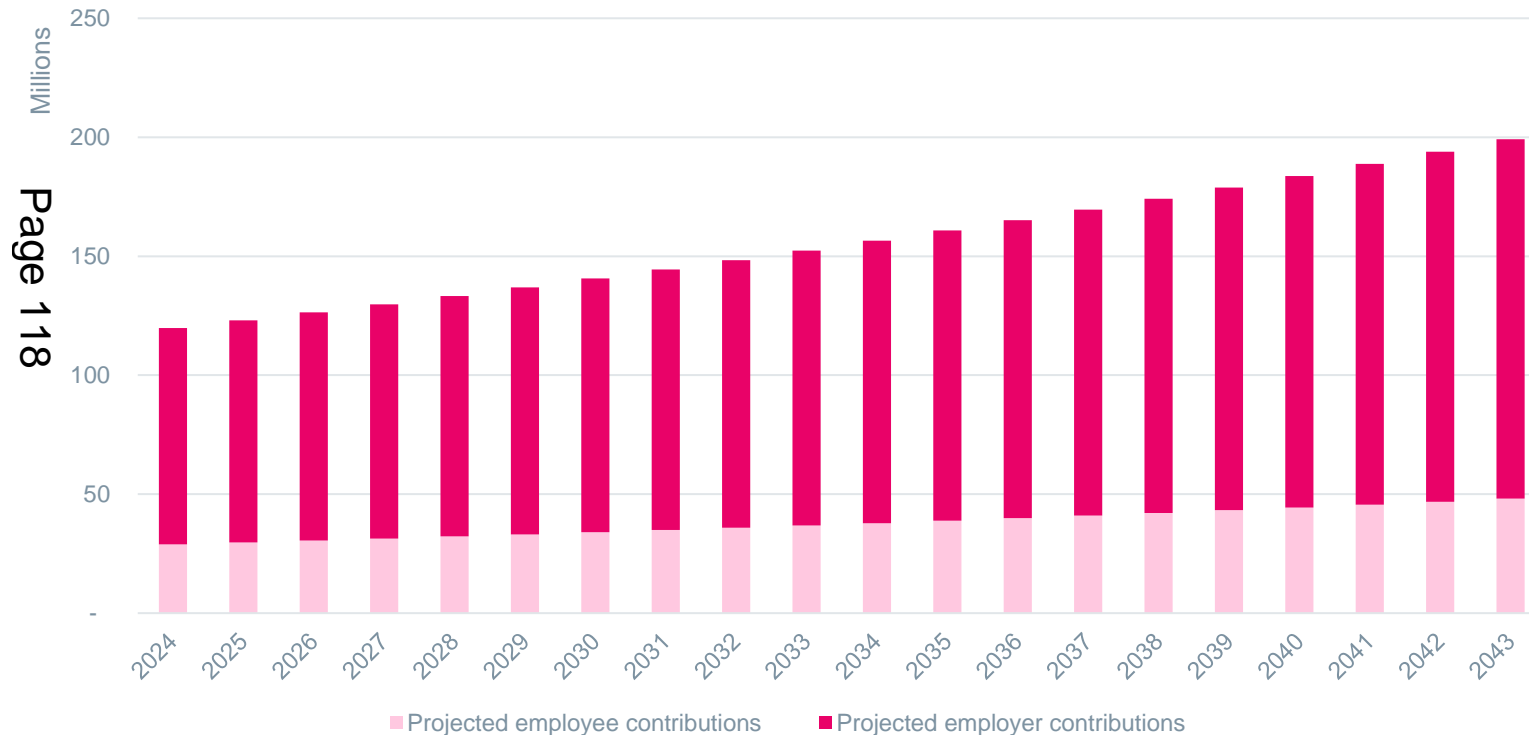


High Inflation



Scenario analysis helps understanding of the impact that inflation may have on future benefit payments – a difference of c.£110m in annual benefit payment by 2044 (between the recession scenario and the high inflation scenario)

Projected contribution income (all inflation scenarios)



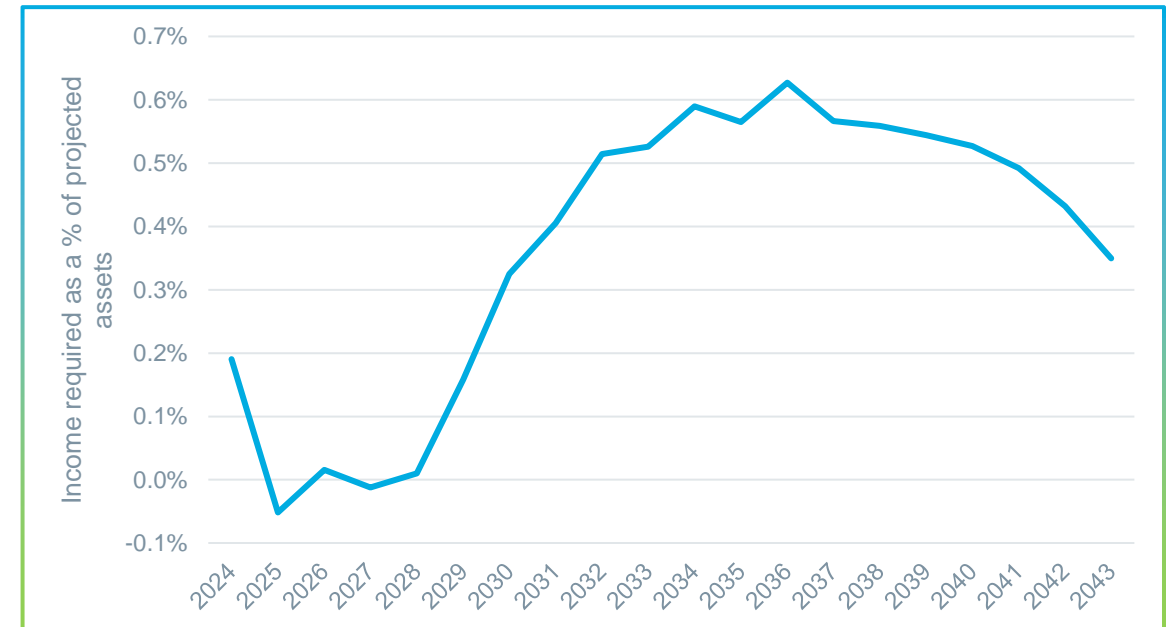
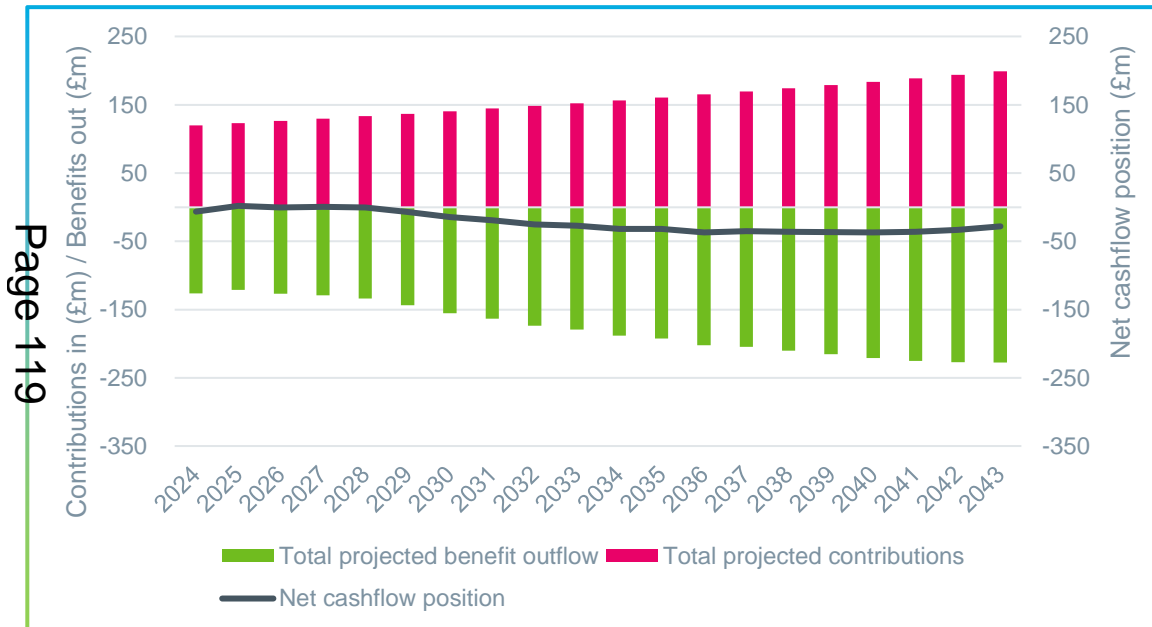
Notes

New entrants are assumed to replace leavers, and are implicitly allowed for in the income cashflow by assuming the payroll grows with inflation.

The years along the x-axis refer to the year-end i.e. 2024 means the 2023/24 financial year (from 1 April 2023 to 31 March 2024).

Payroll is assumed to grow at 2.7% pa (in line with the formal valuation), with an allowance for the higher pay award increase in 2024.

Whole fund net cashflow (baseline scenario)



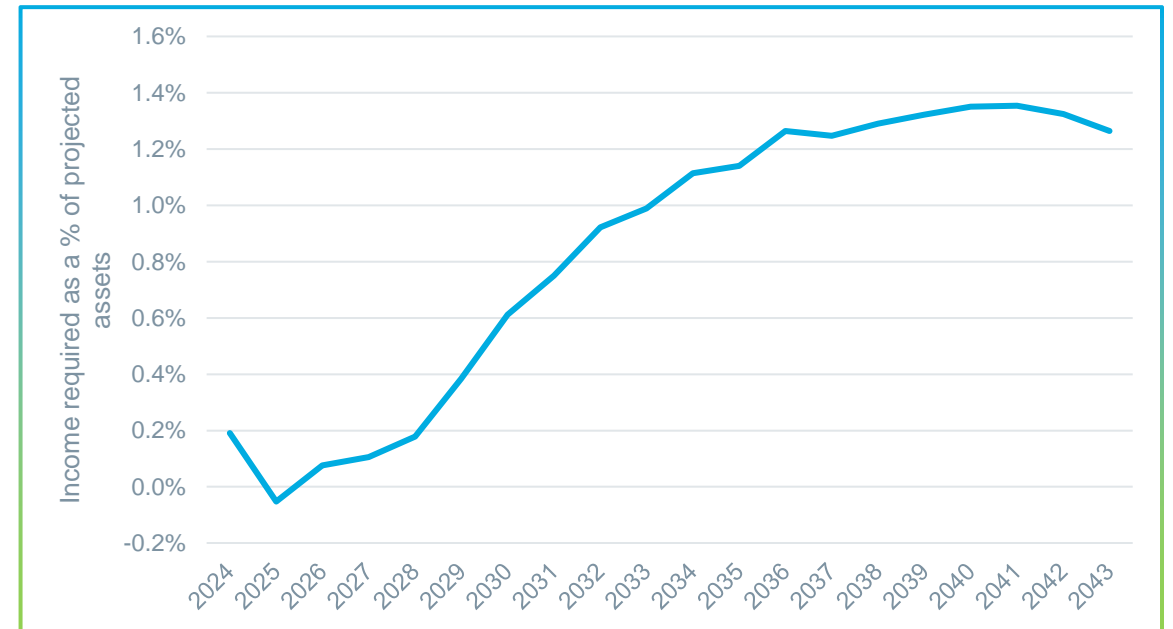
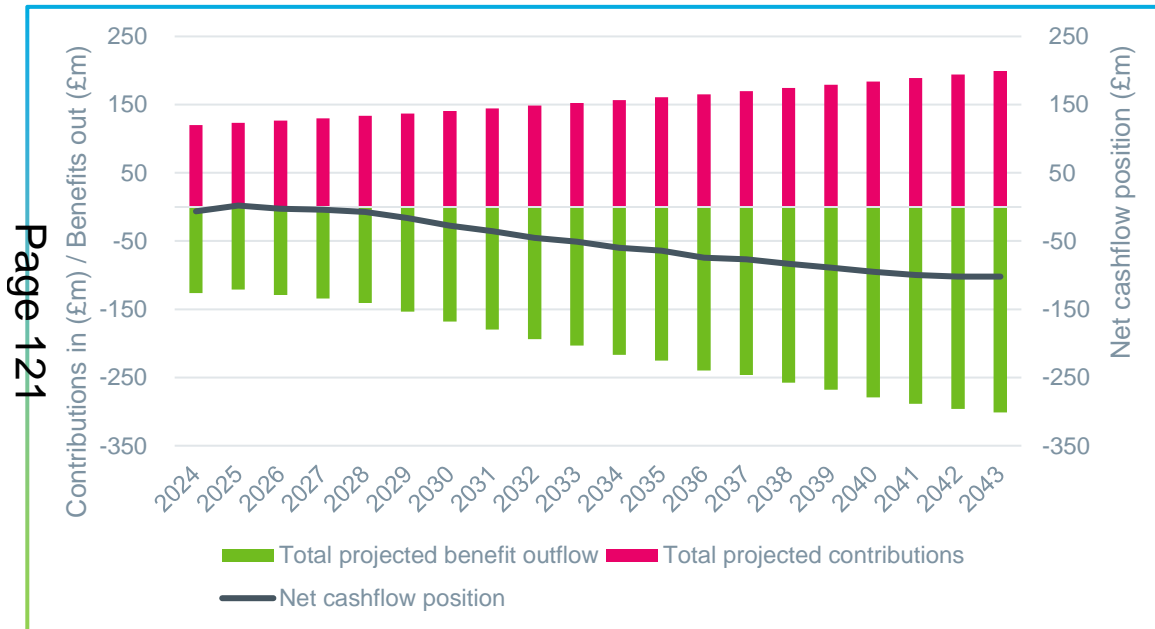
Benefit outflow is estimated to consistently exceed contribution income from 2028 (we have disregarded 2024 as it is a result of the retirement age assumption – in reality these retirements may be spread over the next 2-3 years). The shortfall from contributions would require an increase in the current levels of income from assets to bridge the gap over the next 20 years (to around 0.6% pa).

Whole fund net cashflow (recession scenario)



Relative to baseline, a “hard landing” would improve the Fund’s cashflow position in the long term. The Fund is expected to be cashflow negative for most of the period, however the magnitude would be relatively small and could be managed by income from the Fund’s assets (c.0.4% yield).

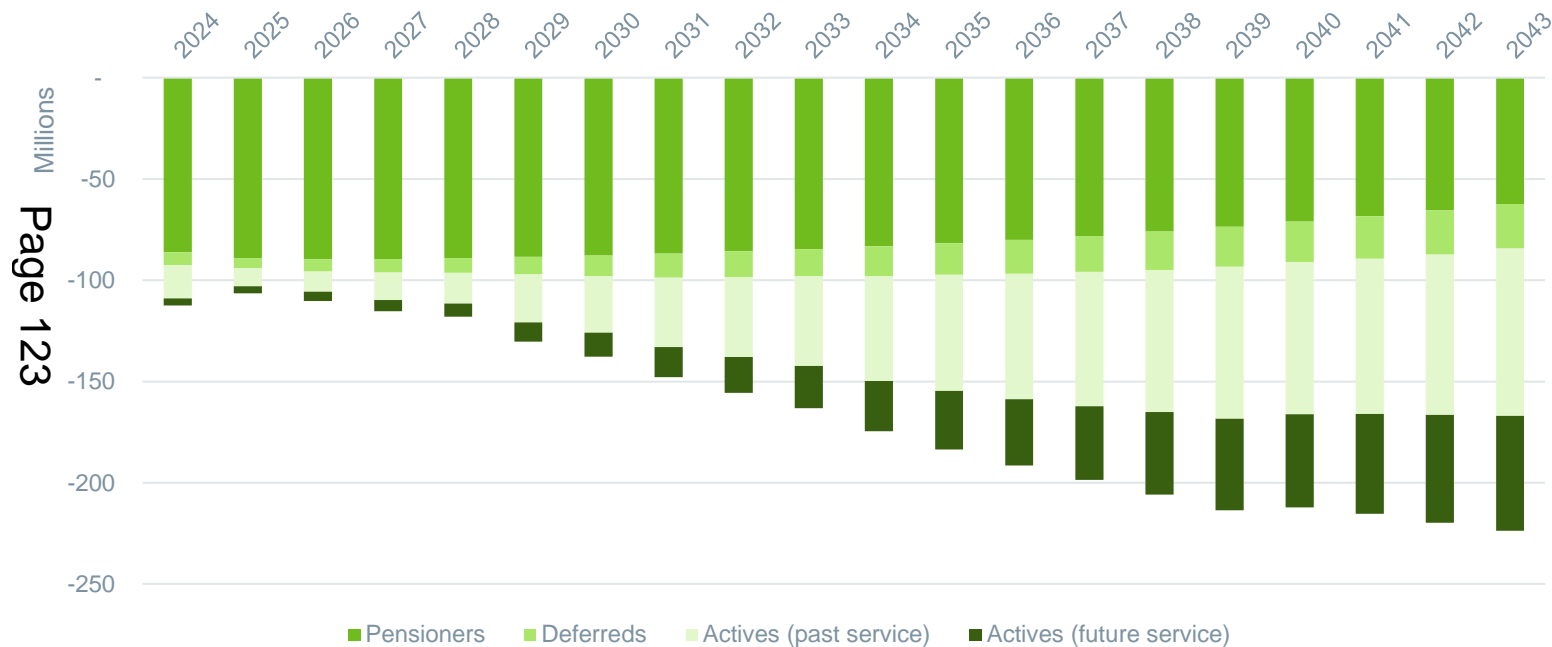
Whole fund net cashflow (high inflation scenario)



A high inflation scenario would result in cashflow negativity by 2026, with a substantial gap opening up in the longer term. This would need to be managed by a higher level of income from the Fund's assets (c.1.4%).

Impact of contribution rate reductions

Projected benefit outflows (baseline scenario, consensus inflation)



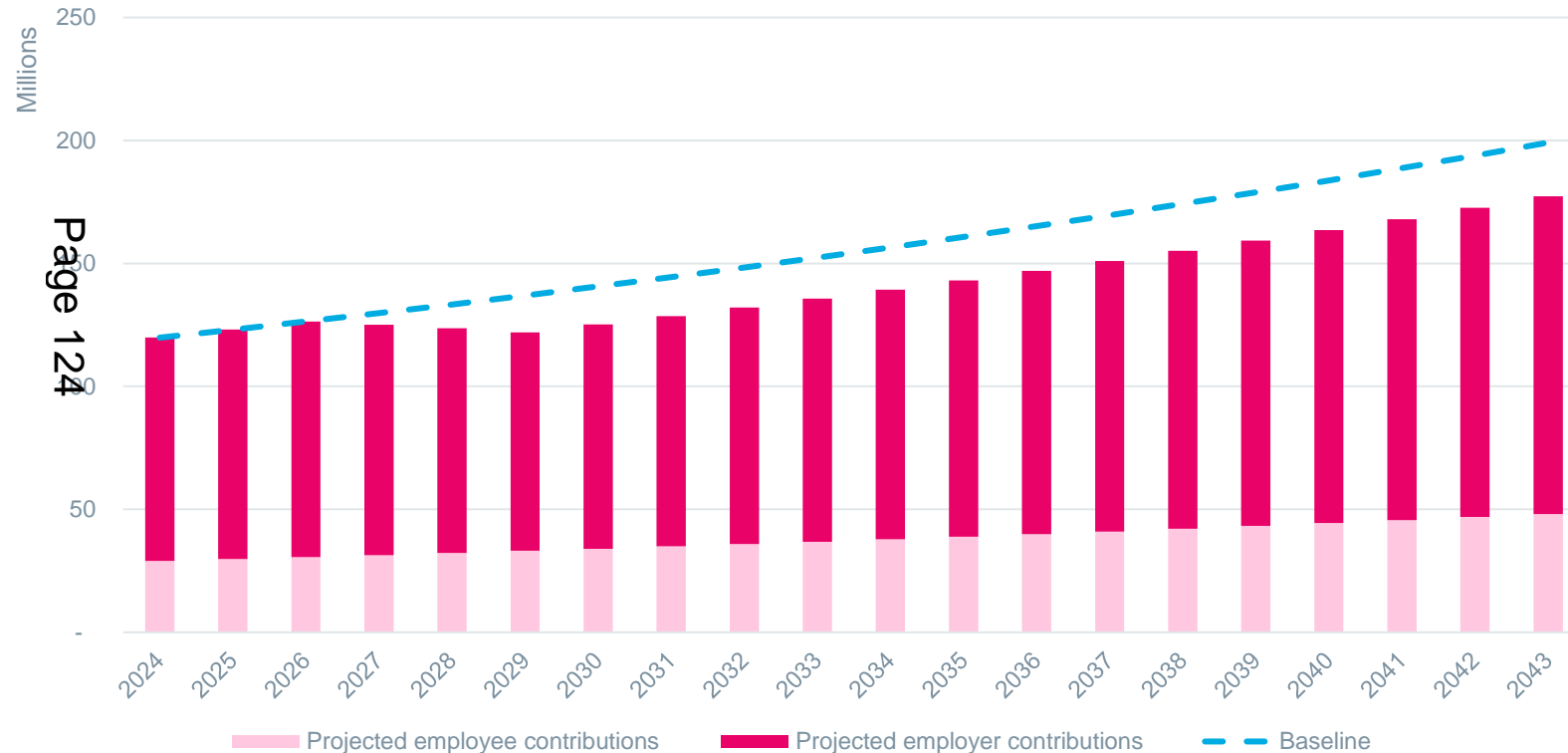
Notes

The years along the x-axis (horizontal) refer to the year-end i.e. 2024 means the 2023/24 financial year (from 1 April 2023 to 31 March 2024).

Increased benefit outflow in 2024 in comparison to 2025 is because of the model assumption that all active members already past their assumed retirement age will retire 1 year after the valuation date (2023). In reality these outflows would likely be spread across a longer period.

Benefit projections are based on the baseline inflationary scenario.

Projected contribution income (1.0% pa contribution rate reduction)



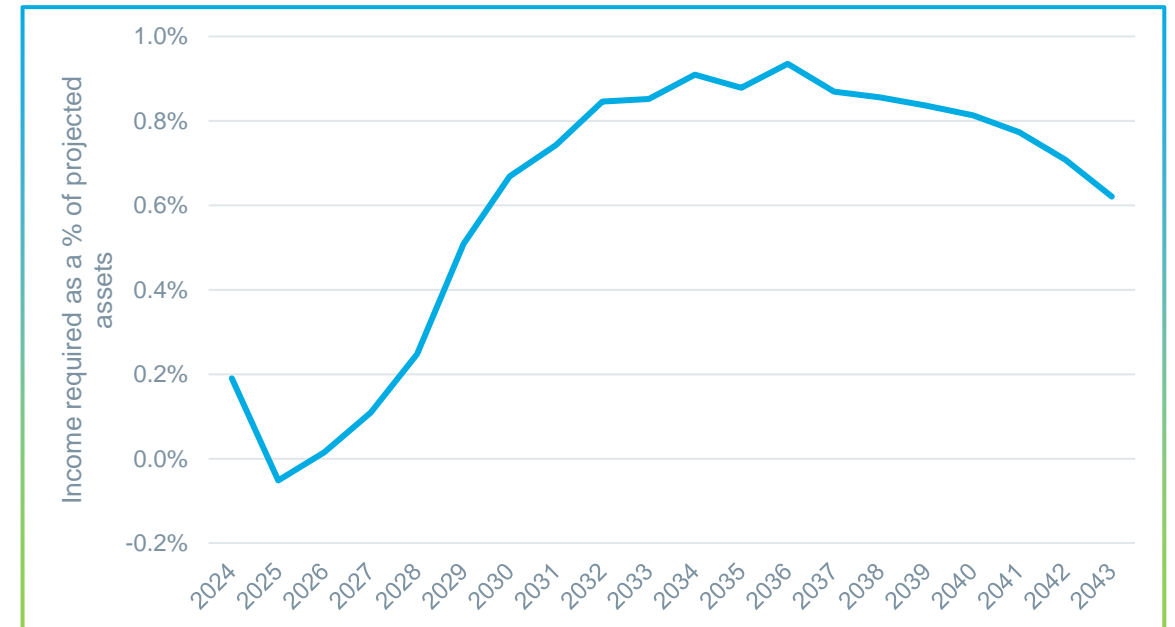
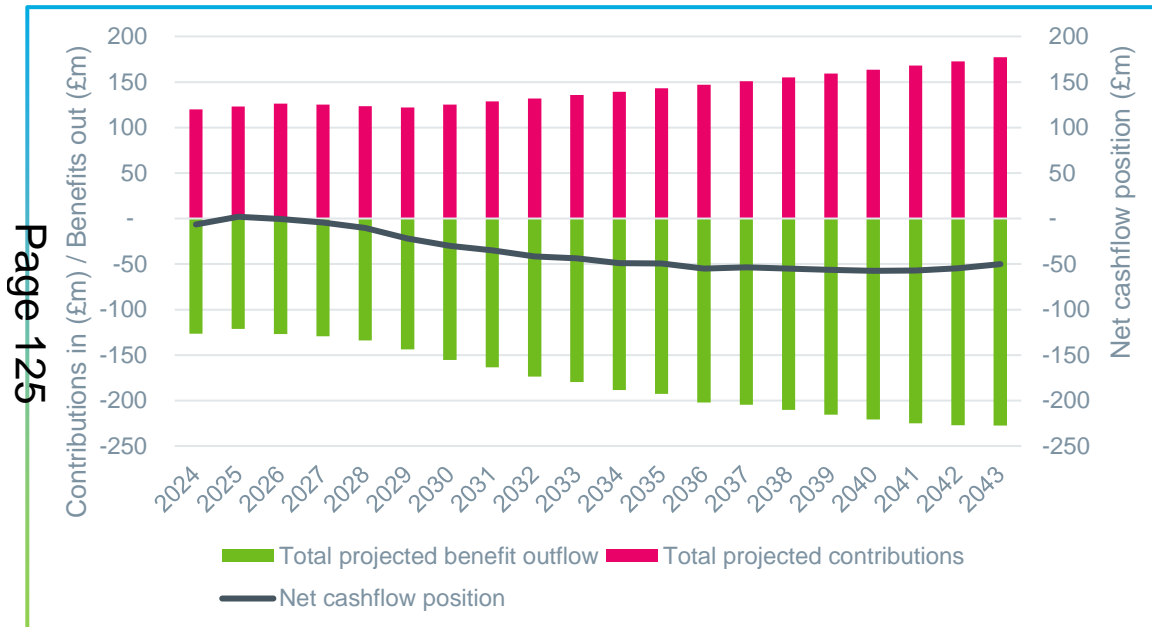
Notes

Contributions are assumed to be paid in line with the current Rates and Adjustments certificate until 31 March 2026.

Contributions are then assumed to reduce by 1.0% pa until 31 March 2029 in line with the Fund's contribution stability mechanism. Thereafter, contribution rates are assumed to remain stable.

Reductions in employer contribution rates as part of the 2026 valuation would result in a lower level of projected contribution income in future years (vs baseline scenario of no reductions at 2026).

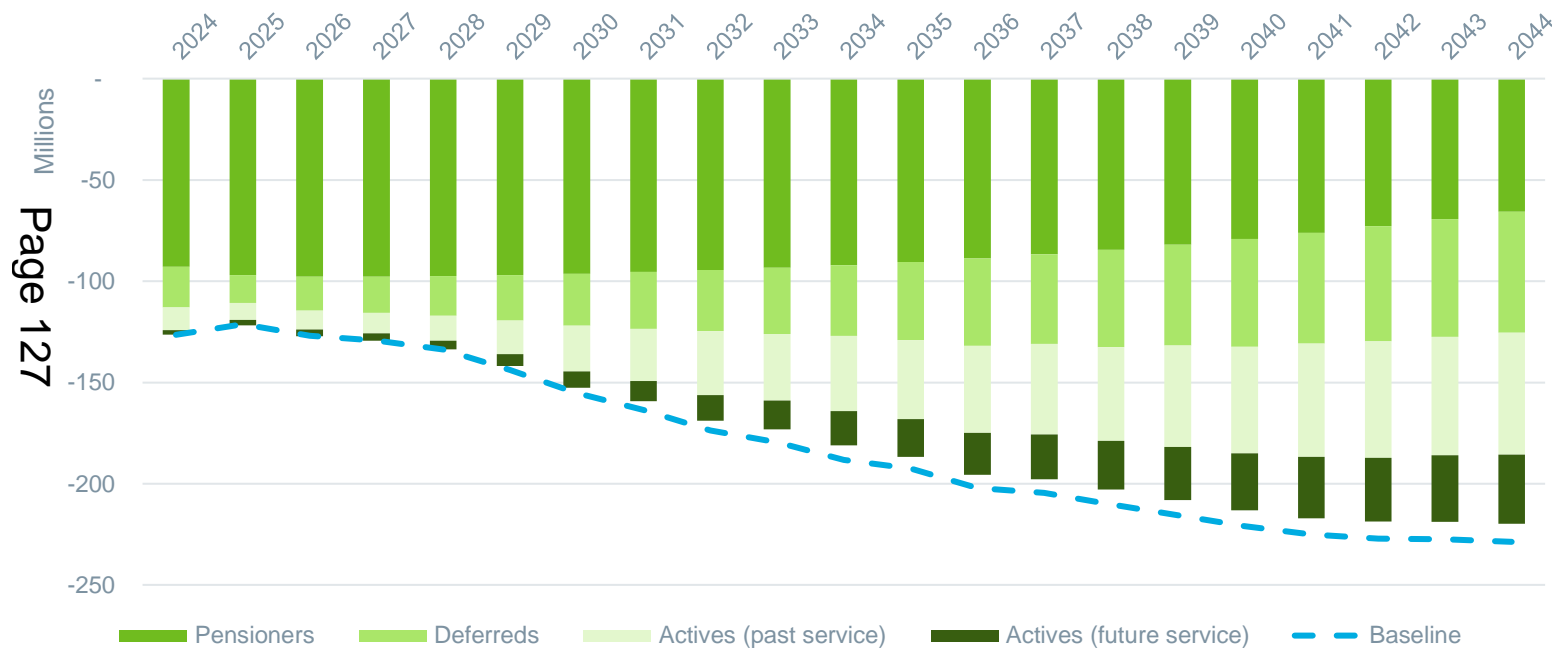
Whole fund net cashflow (1.0% pa contribution rate reduction)



A reduction in contribution income would worsen the cashflow position in comparison to the baseline scenario. The level of investment income needed to meet benefit payments would be higher (c.0.9% yield).

Membership reduction

Projected benefit outflows (10% membership reduction)



Notes

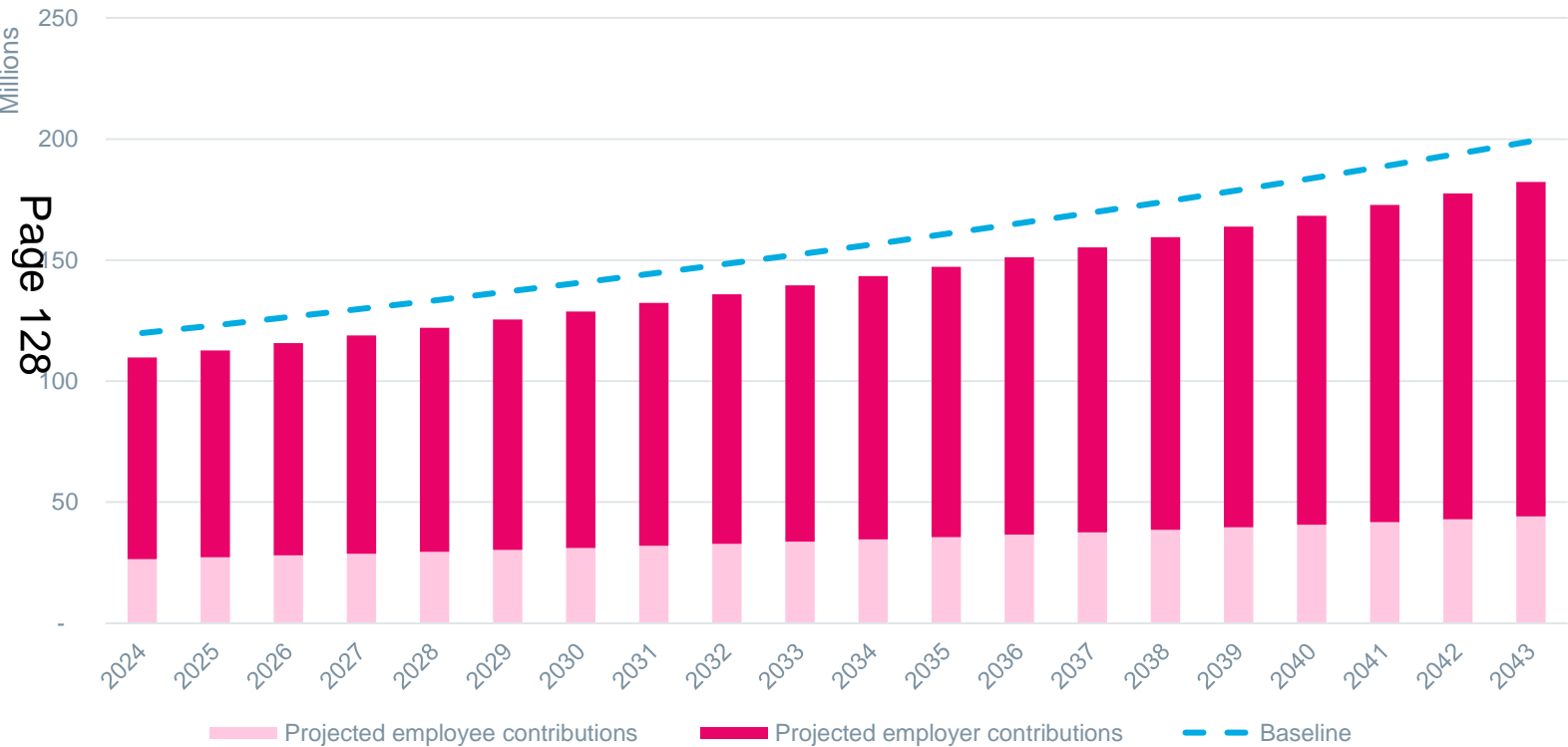
We have modelled a 10% reduction in membership to help the Fund understand the sensitivity to reducing payrolls and/or large scale redundancies caused by structural reform or otherwise.

An immediate reduction in active members will initially slightly increase the benefits paid, including retirement lump sum payments and pensions coming into payment for members over 55 years old.

However, the reduction will result in less benefits being accrued in the future. This will result in lower payments in respect of benefits earned in the future under this scenario (however contribution income would also be lower – see next slide).

Lower active membership leads to a lower level of future benefit payments in the long-term. However, the reduction would take time to appear as most benefit payments in the next 20 years are in respect of benefits already accrued.

Projected contribution income (10% membership reduction)

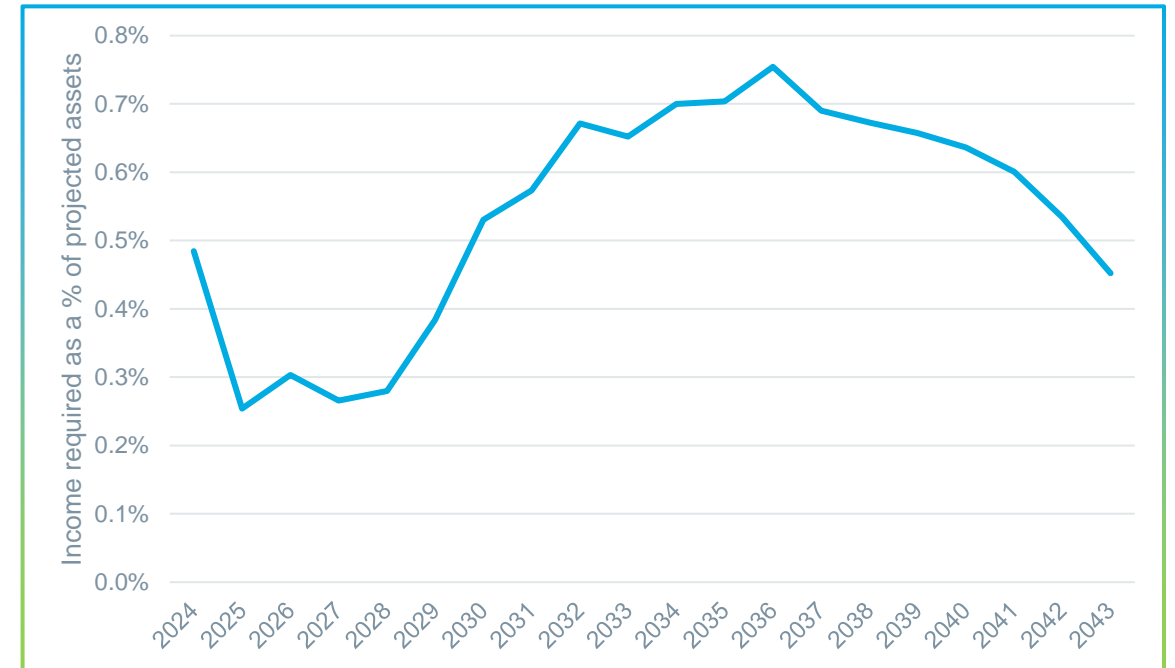
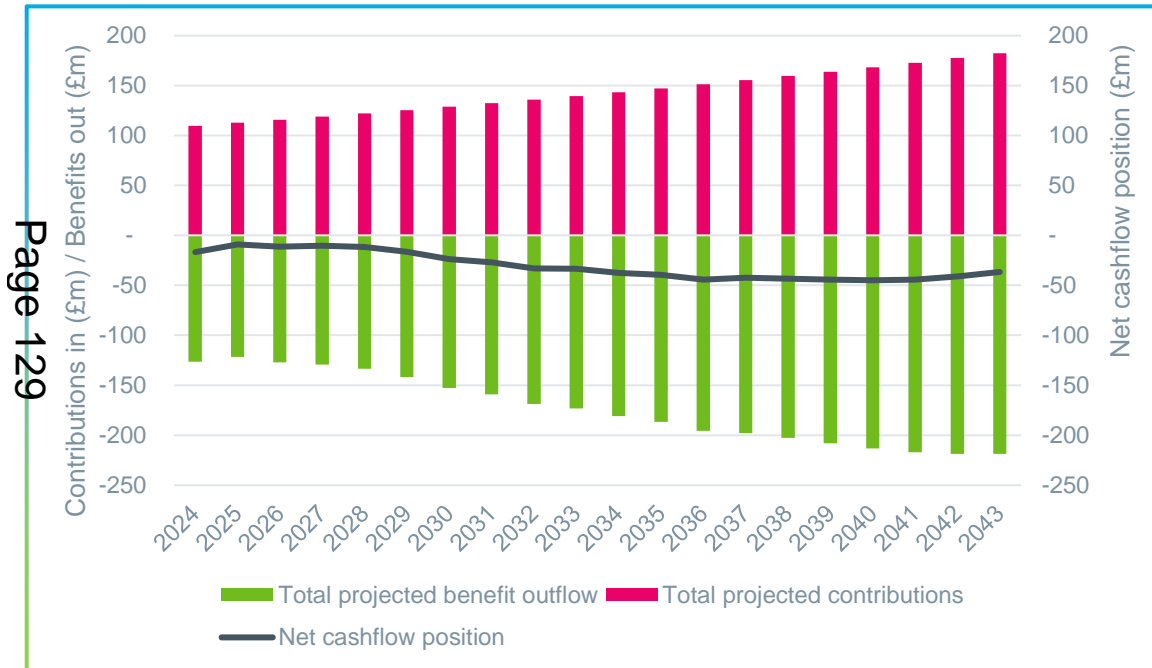


Notes

New entrants are assumed to replace leavers, and are implicitly allowed for in the income cashflow by assuming the payroll grows with inflation.

A reduction in active membership would lead to an immediate and then sustained reduction in payroll and therefore contribution income

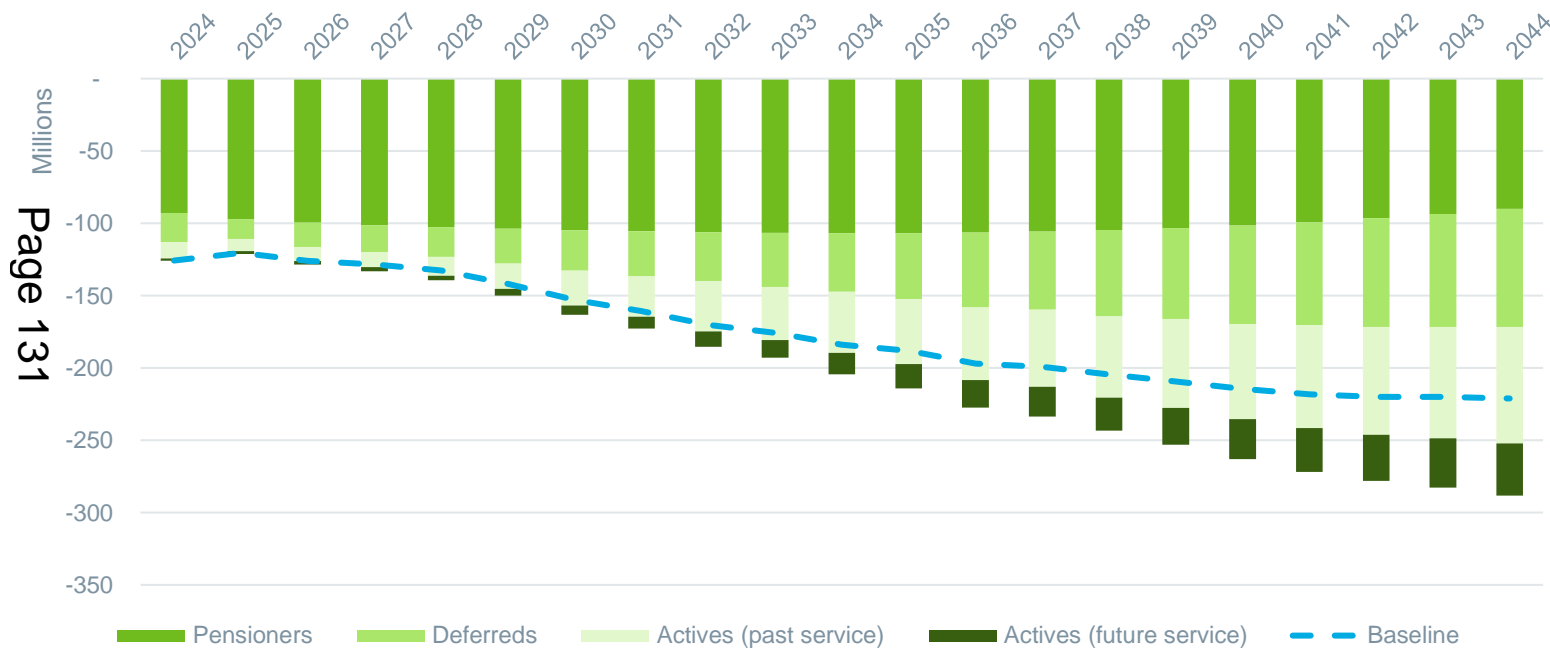
Whole fund net cashflow (10% membership reduction scenario)



A reduction in active membership would result in immediate cashflow negativity, remaining cashflow negative over the 20-year projection period. The level of investment income needed to meet benefit payments would still be higher (c.0.8% yield).

‘Worst case’ scenario

Projected benefit outflows ('worst case' scenario*)



Notes

The benefit outflows represent an immediate reduction of 10% in active membership, combined with the high inflation scenario where inflation remains at higher levels in the long term.

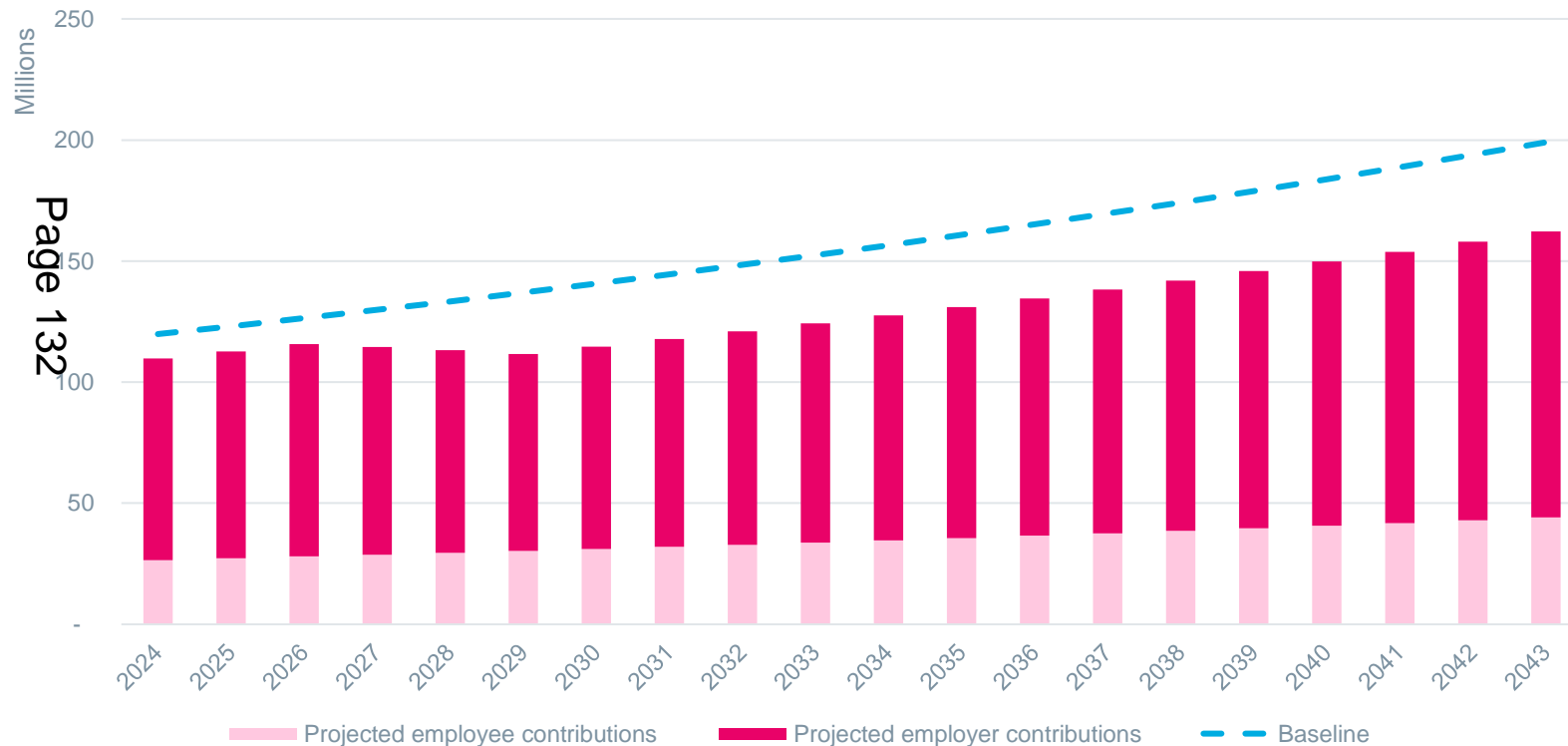
The reduction in active membership will result in less benefits being accrued in the future. However, increases to benefits in payment will be higher, offsetting some (or all of) the reduction in benefit accrual.

The reduction in contribution income (see next slide) will also have a significant impact on the net cashflow position.

Benefit projections are based on the high inflation scenario with an immediate 10% reduction in active membership.

*worst case scenario based on combining the cashflow stresses previously modelled only. More extreme stresses to cashflow projections could be possible.

Projected contribution income ('worst case' scenario)



Notes

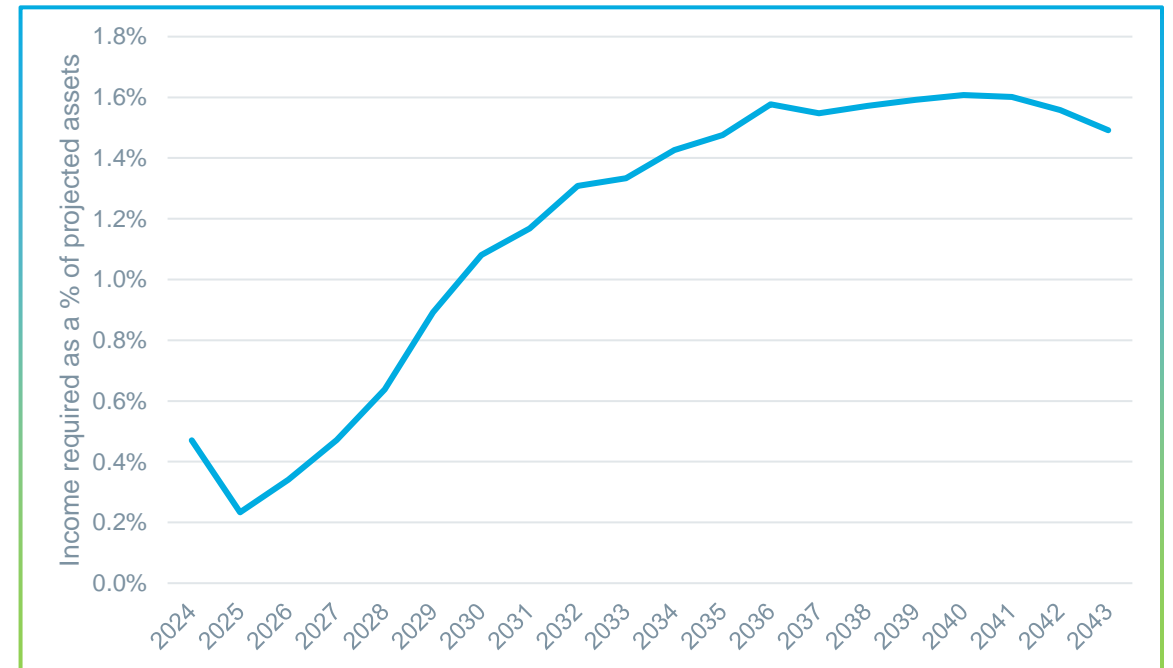
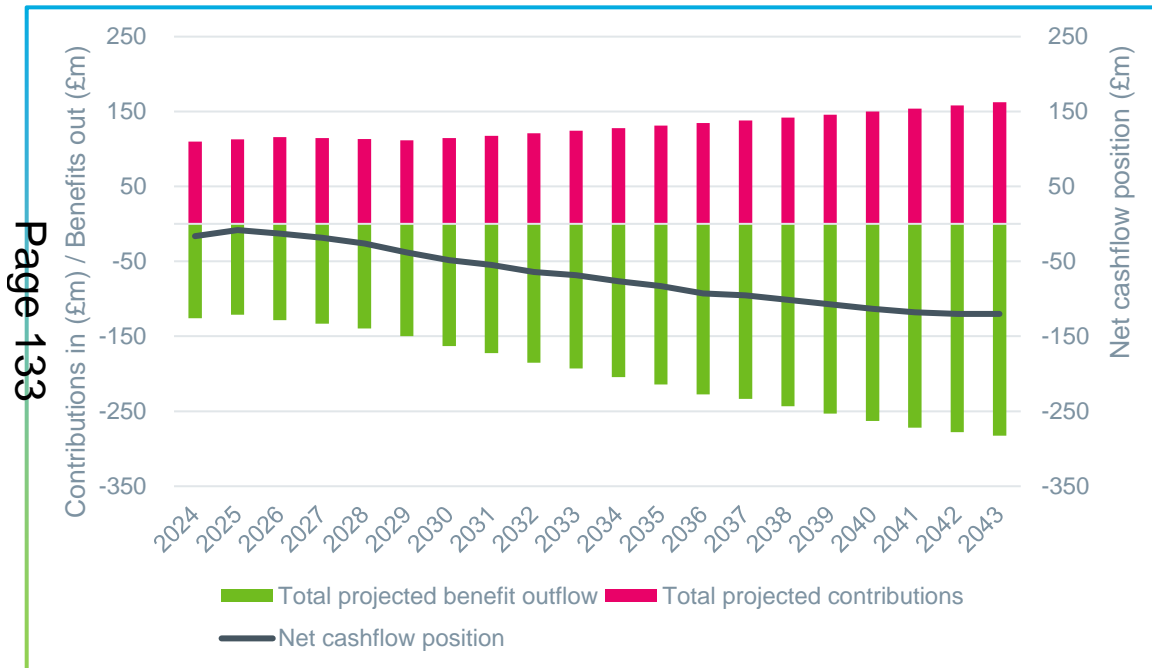
Contributions are assumed to be paid in line with the current Rates and Adjustments certificate until 31 March 2026.

Contributions are then assumed to reduce by 1.0% pa until 31 March 2029 in line with the Fund's contribution stability mechanism. Thereafter, contribution rates are assumed to remain stable.

New entrants are assumed to replace leavers, and are implicitly allowed for in the income cashflow by assuming the payroll grows with inflation.

Reductions in employer contribution rates as part of the 2026 valuation combined with a 10% reduction in active membership would result in a significant decrease in contribution income.

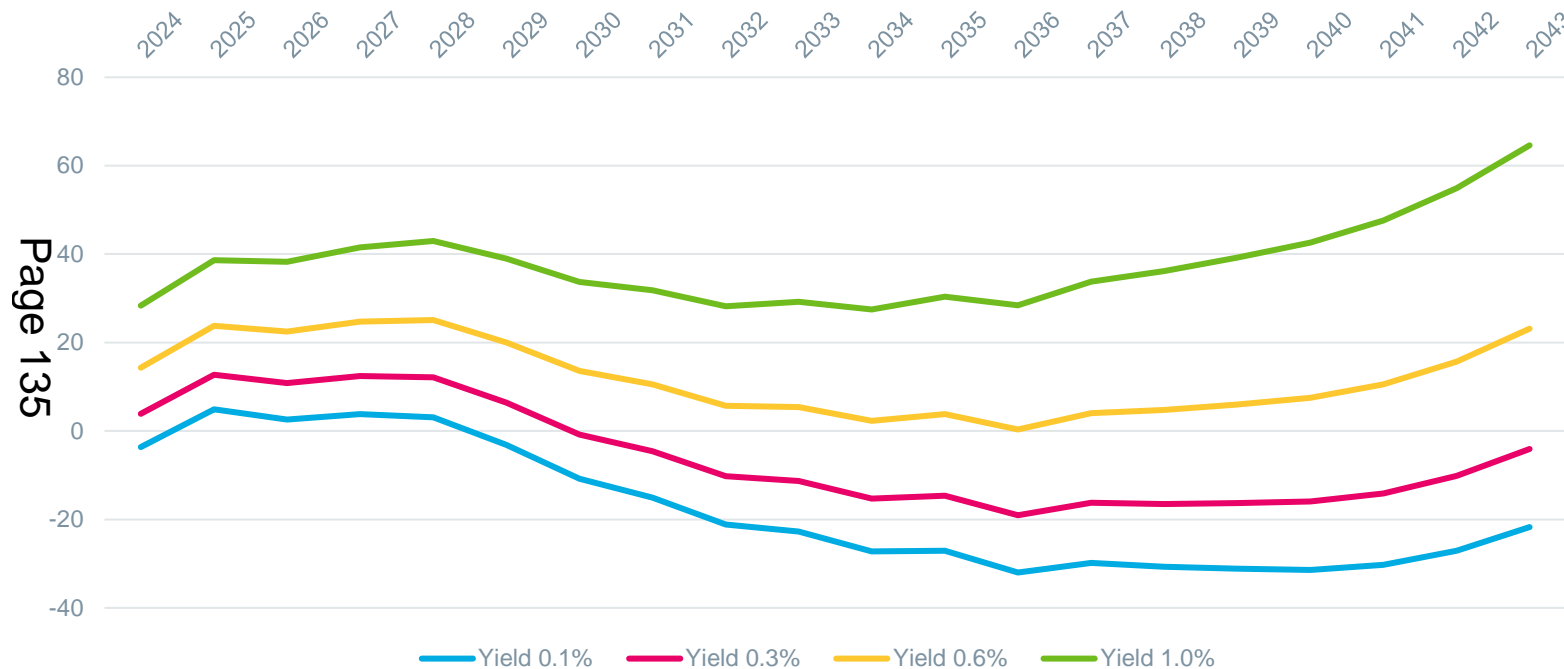
Whole fund net cashflow ('worst case' scenario)



Under this scenario, the Fund would become cashflow negative immediately, with a significant gap opening up in the longer term. The level of investment income needed to meet benefit payments would increase significantly (c.1.6% yield).

Sensitivity of net cashflow

Sensitivity of net cashflow to investment income yield



Notes

This highlights the sensitivity of the cashflow position to the investment income yield. For example, a yield of 0.6% p.a. (or above) results in a positive cashflow position for the 20 year period under investigation (baseline scenario).

However, a yield below 0.6%, for instance of 0.3% p.a. (or lower) as shown, may result in a cashflow negative position for the majority of the 20-year projection period (beyond 2030).

Based on the latest Fund accounts, the current investment income yield (net of fees) is around 0.1% pa. This level of yield results in a negative cashflow position for the majority of the period (the blue line), meaning that the Fund should be able to meet all pension obligations as they fall due.

This highlights the key role the Fund's investments play in ensuring there is enough liquidity within the overall strategy (funding and investment) to meet benefit payments.

Next steps

Next steps

Page 137

1

Monitor membership changes and their impact on the cashflow position

2

Consider any factors (e.g. inflation, contribution reductions) that may affect the cashflow position

3

Consider the investment strategy in light of any future possible negative cashflow position

4

Consider evolving or developing new cashflow management and/or rebalancing policies with your investment advisor

Reliances and limitations

APPENDIX 1

Reliances and limitations

This paper is addressed to Oxfordshire County Council as Administering Authority to the Oxfordshire County Council Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of projecting the expected cashflows of the Fund over a 20-year time horizon. It has not been prepared for any other purpose and should not be used for any other purpose.

The cashflow projections are based on a specific set of deterministic assumptions, which are highly unlikely to be borne out exactly. We therefore do not claim that the future will exactly match the figures in this paper. The results should be used to give an indicative idea of the Fund's medium term cashflow requirements only.

Any party must accept full responsibility for establishing that the cashflows are appropriate for the purpose to which they want to put them and any decisions that are taken based on their analysis. We cannot be held responsible for any losses sustained as a result of third parties relying on the cashflows provided, or if the cashflows are used for any inappropriate purpose.

The extent of the deviations from the assumptions underpinning the cashflow projections depends on uncertain economic events as well as other factors that are not known in advance such as members' decisions, variations in mortality rates, retirement rates and withdrawal rates, fluctuations and rates of salary increase, and the numbers and ages of future new entrants which cannot be accurately predicted. In addition, there could be changes in the regulatory environment and possible changes in retirement benefits. These other uncertainties are often not related to any particular investment and economic eventualities.

Three of the important uncertainties are the:

- (a) Rate of pension increases, the vast majority of which increase at the annual increase in CPI inflation
- (b) Extent to which members elect to exchange pension for cash at retirement
- (c) Level of future payroll and contribution rates which will determine the amount of contributions paid into the Fund

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing.

This report may be shared with the Fund's independent advisor for information purposes only but may not be passed onto any other third party (such as including in the public part of the Pension Committee & Board's meeting papers) except as required by law or regulatory obligation, without prior written consent of Hymans Robertson LLP.

In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:

- TAS100
- TAS300.

Page 140

Thank you

The material and charts included herewith are provided as background information for illustration purposes only. This PowerPoint presentation is not a definitive analysis of the subjects covered and should not be regarded as a substitute for specific advice in relation to the matters addressed. It is not advice and should not be relied upon. This PowerPoint presentation contains confidential information belonging to Hymans Robertson LLP (HR) and should not be released or otherwise disclosed to any third party without prior consent from HR. HR accept no liability for errors or omissions or reliance upon any statement or opinion herein.
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Oxfordshire Pension Fund

Page 141 Funding risk update & 2025 valuation planning

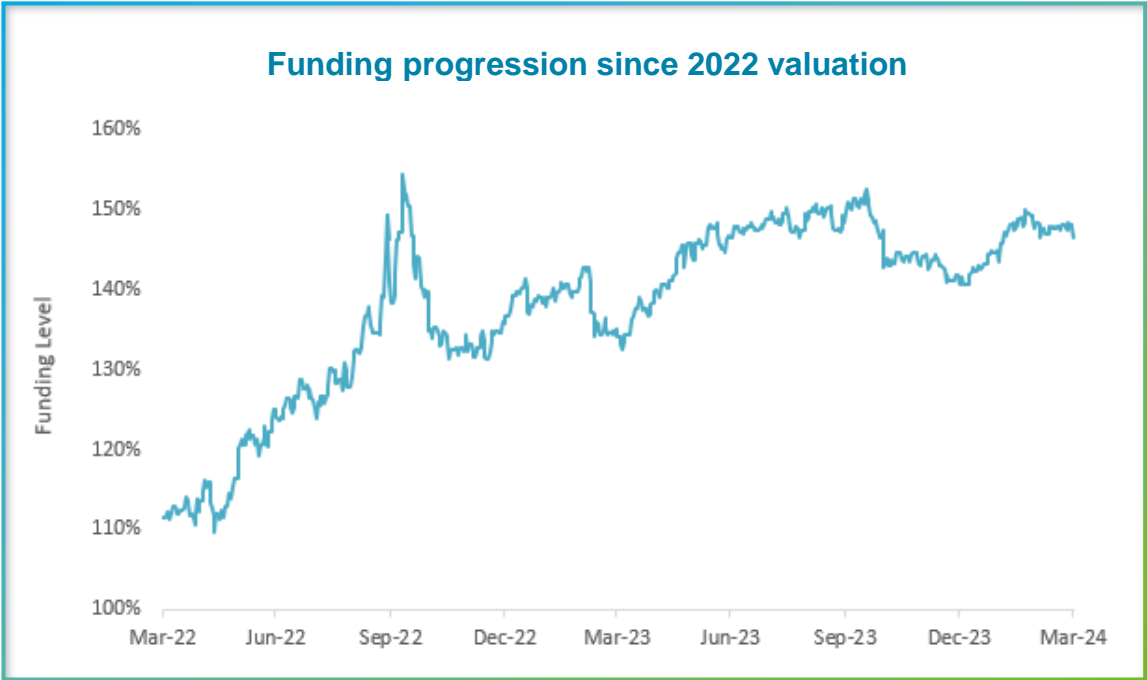


Tom Hoare FFA

Executive summary

To help manage risk, the Fund carries out regular funding and risk monitoring between valuations. Since the 2022 valuation there has been a significant shift in the economic environment meaning the LGPS is now facing new risks and opportunities which increases the importance of robust risk management. This report has been prepared for Oxfordshire County Council as Administering Authority to the Oxfordshire Pension Fund (the Fund) to help its stakeholders understand how changes in the funding environment has impacted the Fund and to aid funding strategy planning discussions in preparation for the 2025 formal valuation.

- Page 142
- The funding position of the whole fund at 31 March 2024 is now 146% (compared to 111% at the 2022 valuation). The likelihood of the fund achieving the required future investment returns needed to be fully funded has also risen to 89% (from 77%).
 - This improvement has been largely driven by an improved investment outlook due to a sharp rise in global interest rates.
 - Employer funding positions have seen similar improvements. This is potentially very meaningful, for any employers approaching exit, however for many employers, having stable contributions over the longer term may be a more important objective.
 - Short term inflation has been high since 2022, with pension increases of 10.1% (2023) and 6.7% (2024). While longer term inflation is expected to fall there remains uncertainty over future forecasts.
 - Whilst the improved funding position is good news for the Fund, there remains uncertainty in financial markets, and material risks facing LGPS funds. Early planning for the 2025 valuation will be important to help the Fund manage any changes to its funding and investment strategy in the current environment.



It is important for the Fund to consider the impact of risks within the current environment and start planning for the 2025 valuation

Changes in the funding environment

Investment outlook

Investment returns since the 2022 valuation have been positive, with the Fund achieving a return of c.7.3% over the period from 31 March 2022 to 31 March 2024. This is slightly lower than the Fund's investment return assumption (at the valuation) of 4.6% pa.

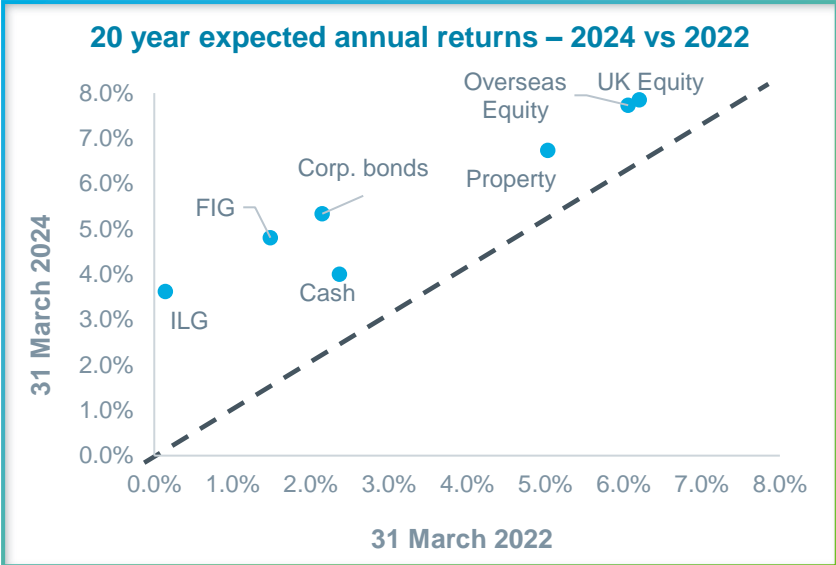
However, as shown in the chart, expectations of *future* investment returns are now higher than at the 2022 valuation for all asset classes, largely due to the sharp rise in global interest rates (which had previously been at historic lows). In the case of the UK, the Bank of England base rate has increased from 0.75% at March 2022 to 5.25% at March 2024. If investors can get a higher return on cash and other lower-risk assets, it follows that the return on riskier assets, such as equities, should also increase. This is the approach within our Economic Scenario Service model ([Appendix 4](#)).

Page 144
To put this into context, at 31 March 2022 we estimated that the Fund's investments would return 4.6% pa with a 70% likelihood of success. At 31 March 2024, we now estimate that the Fund will achieve a much higher investment return of 6.6% pa with the same 70% likelihood.

Higher future expected investment returns lead to a lower value being placed on the Fund's liabilities. In other words, this means that the improved funding level is reliant on higher income from future investment returns, which may be a reason to be cautious when setting contribution rates at the 2025 valuation.

What can the Fund do to manage investment risk?

- Consider the Fund's beliefs about the investment outlook and whether it should increase the level of prudence adopted in the future expected investment return assumption at the 2025 valuation to manage increased future uncertainty.
- Explore different combinations of investment strategy to understand what they mean for the likelihood of the Fund requiring additional future contributions.
- Investigate whether a single investment strategy for the whole Fund is still fit for purpose and consider carrying out exploratory work into the implementation of individual employer investment strategies.



The improvement in funding level is being driven by the promise of greater *future* investment returns rather than investment returns actually earned by the Fund.

High inflation

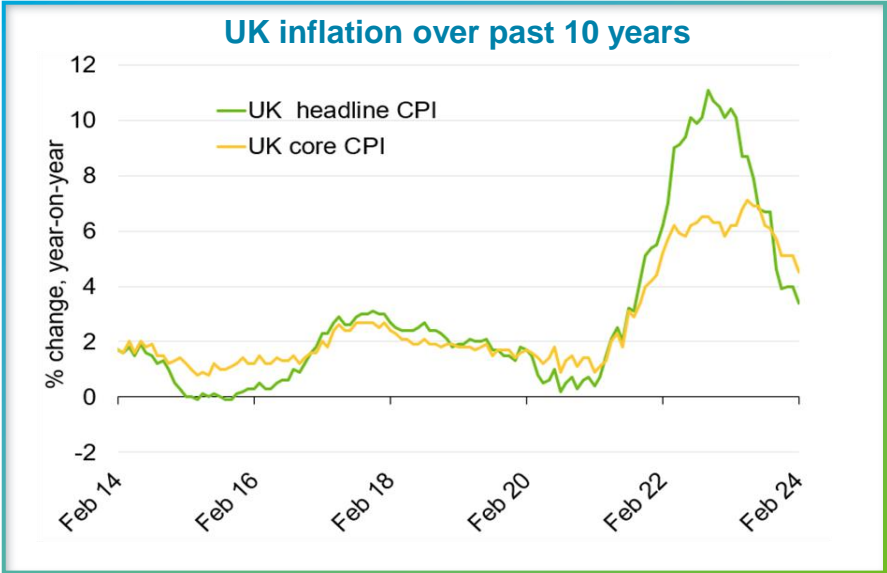
Inflation is a key risk for pension funds to manage. Higher inflation increases the cost of benefits, which increases longer term funding costs but also has an immediate impact on shorter term cash flow (pensions in payment). Since the 2022 valuation, inflation has risen sharply, with pensions increasing by 10.1% (in 2023) and 6.7% (in 2024) which has increased liabilities (in isolation). However, this has been more than offset by central bank reaction to increase interest rates - which has led to higher expected future investment returns, reducing liabilities.

Recent inflation trends & forecasts

- Set against a weaker economic backdrop, headline year-on-year CPI inflation in the UK continued easing – albeit at a slower pace – in January and February to 3.4%.

Core inflation, which excludes volatile energy and food prices, remained unchanged at 5.1% in January and fell to 4.5% in February. Not only is UK core inflation still more than double the Bank of England's target, but elevated services and wage inflation, both running at 6.1% year on year, highlight persistence in underlying price pressures.

- Latest consensus forecasts see inflation falling further, and even dipping below the BoE's 2% target in mid-2024, before rising above it in the second half of 2024.
- Medium-to-long-term consensus expectations are for UK inflation to stay slightly above the BoE's target. Forecasters point to a range of plausible reasons why inflation, and interest rates, might be higher over the medium term. These include expectations of more persistent labour shortages, a greater prevalence of supply shocks, diminishing returns from globalisation, the transition to net zero, and looser fiscal policy than in the period after the global financial crisis.



Source: Datastream

Although the expectation is for inflation to fall, it remains uncertain. Persistently higher inflation is a risk for pension funds. For example, if the long-term pension increase assumption was 1% pa higher, this will reduce the funding level by around 20%

What can the Fund do to manage inflation risk?

- Regular monitoring of inflation during periods of volatility is important. The Fund should consider both the short and longer-term impacts on their funding and investment strategies.
- If the strong funding position persists at the 2025 valuation, the Fund may choose to retain a funding cushion to help manage uncertainty surrounding inflation forecasts.
- Consider the Fund's beliefs about future inflation and carry out modelling to understand the impact of inflation risks on funding and cashflow.

Funding update

What has happened since the 2022 valuation?

The Fund’s past service funding level has significantly improved since the 2022 valuation, rising to 146% (from 111% at 2022). The Fund now has a surplus of around £1.1bn at 31 March 2024 (compared to a surplus £329m at 31 March 2022), which has been driven by significant changes in the financial markets.

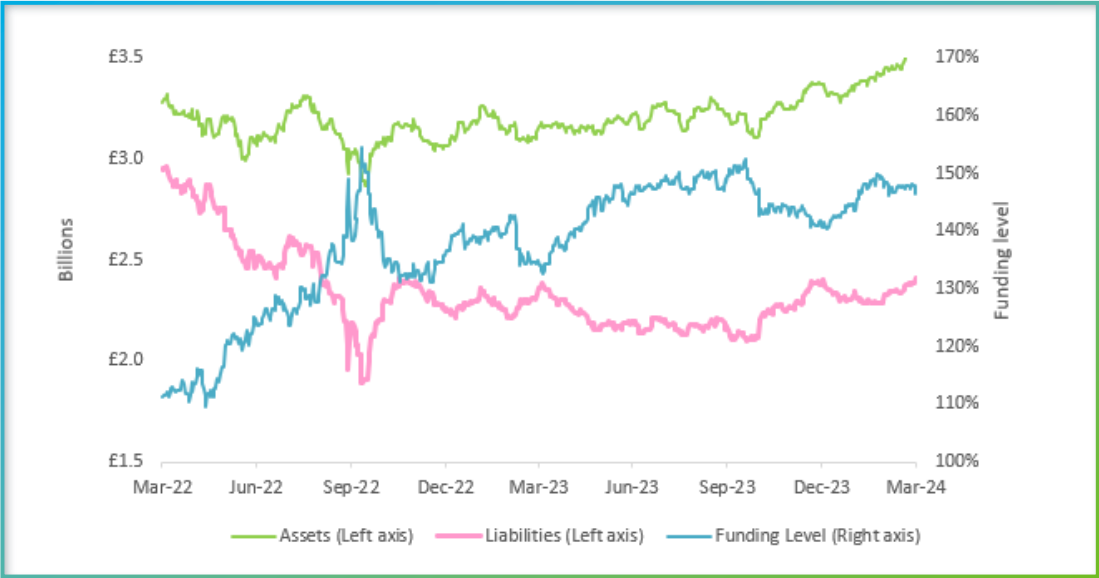
How have assets changed?

The Fund’s asset value has remained relatively stable since the 2022 valuation, although there continues to be volatility (see **green line** in chart). Investment markets have seen headwinds leading to lower-than-expected returns on the Fund’s investments to 30 September 2023. However, investment returns have been positive over the last few months, so the Fund is now holding slightly more assets than it did at the 2022 valuation.

How have liabilities changed?

Asset return expectations have risen since the 2022 valuation, in part due to the rise in global interest rates, which has led to the liability reduction (**pink line**) observed since the 2022 valuation. This effect has been offset, partially, by the effect of inflation being higher than expected at the 2022 valuation.

The improvement in funding level (**blue line**) is being driven by the expectation of higher future investment returns, despite inflationary pressures and dampened investment returns since the 2022 valuation



Being over 100% funded is generally good news, however there are limitations to the usefulness of the funding level metric because it is based on a single set of assumptions about the future and asset values at a single point in time. It also only recognises benefits earned to date (“past service”) and not the cost of future benefits. The Fund therefore needs to consider the risk inherent in their funding strategy and their beliefs about the outlook for investment returns before taking action to manage any surplus.

The sharp increase in headline funding level will inevitably lead to various stakeholders seeking to understand what it may mean to them.

Funding level versus investment return assumption

The Fund's funding level of 146% as at 31 March 2024 has been calculated using a future investment return assumption which has a **70%** likelihood of being achieved. This is in line with the Fund's Funding Strategy Statement, allowing for updated market conditions). However, this reported funding level is extremely sensitive to the return assumption adopted.

The chart shows how the Fund's funding level varies with the future investment return assumption adopted, comparing the position at 31 March 2022 (**green line**) with the updated position at 31 December 2023 (**blue line**). The percentages next to each point on the chart show the likelihood of the Fund's investment strategy achieving that return. From the chart we can see that:

The future investment return required to be 100% funded has increased to 4.3% pa, compared to 4.0% pa at the 2022 valuation. In effect, we now require the Fund's investments to return more than we did at 2022.

- The likelihood of achieving any given future investment return is higher than it was at the 2022 valuation. For example, there is now a 89% chance of the Fund achieving the investment returns needed to be 100% funded, compared to 77% at the 2022 valuation.

This highlights that the improvement in funding position is not a result of the Fund holding more assets today. Rather, this has been driven by higher expected future investment returns due to the change in economic environment since the last valuation.

The effect of market volatility may lead to reductions in asset return expectations in the short term. To reflect any concerns about market volatility, additional prudence may be factored into funding plans via the level of assumed future investment return, which all else being equal would reduce the level of surplus in the Fund.



Required return of 4.4% p.a. has a 88% likelihood of being achieved

The Fund is now more likely to have sufficient assets to meet earned benefit payments than at the previous valuation. However, this is due to higher return expectations, not because the Fund holds more assets.

Employer funding and contributions

The Fund is composed of around 160 active employers. Each of these employers will have its own funding objective depending on the type of employer and their participation.

Given this diversity of employers it is important to understand and monitor employer risks. At 31 March 2024 the funding position has improved for all employers. This change in funding will be different for each employer depending on their membership (but similar to the Fund improvement for most).

The majority of employers are now fully funded (>100%) on the Fund's ongoing basis. Whilst this is good news for the Fund (and employers), this is not the endgame for employers who continue to participate and accrue benefits in an open scheme

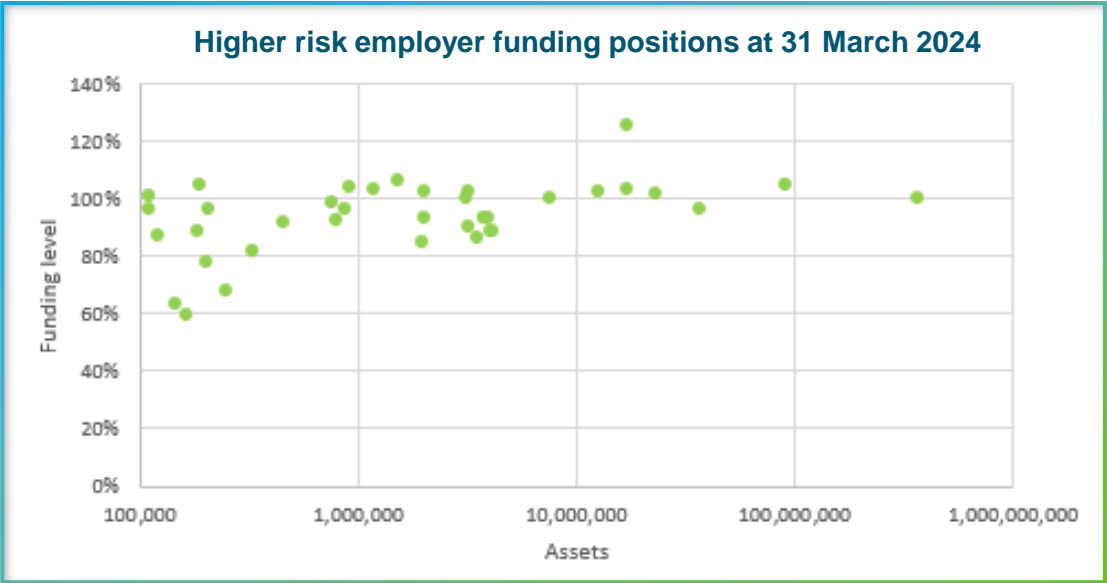
Higher risk employers

Employers with no tax raising powers or guarantee are typically viewed as 'higher risk'. If these bodies were to exit the Fund, their exit payment would be valued on the Fund's 'low risk' basis which allows for more prudence. At 31 March 2024, the aggregate position of the higher risk employers (on the Fund's low risk basis) is now 101% (compared to 72% at the 2022 valuation). Each individual employer position will be different, but in general will have improved, with many now c100% funded on the Fund's low risk basis (see chart opposite).

Impact on contributions

Employer contributions are set at the triennial funding valuation. If the current economic environment persists through to the 2025 valuation, there will likely be downward pressure on both primary and secondary contributions as a result of higher expectations of future investment returns and strong past-service funding positions.

The Fund may need to consider options for managing employer surplus ahead of the 2025 valuation. In particular, the Fund may need to consider how to manage high levels of surpluses and increased volatility and uncertainty in the economic environment within its funding and investment strategy, and effectively communicate its approach to employers.



It is important to understand the impact of improved funding for each employer to set appropriate funding plans

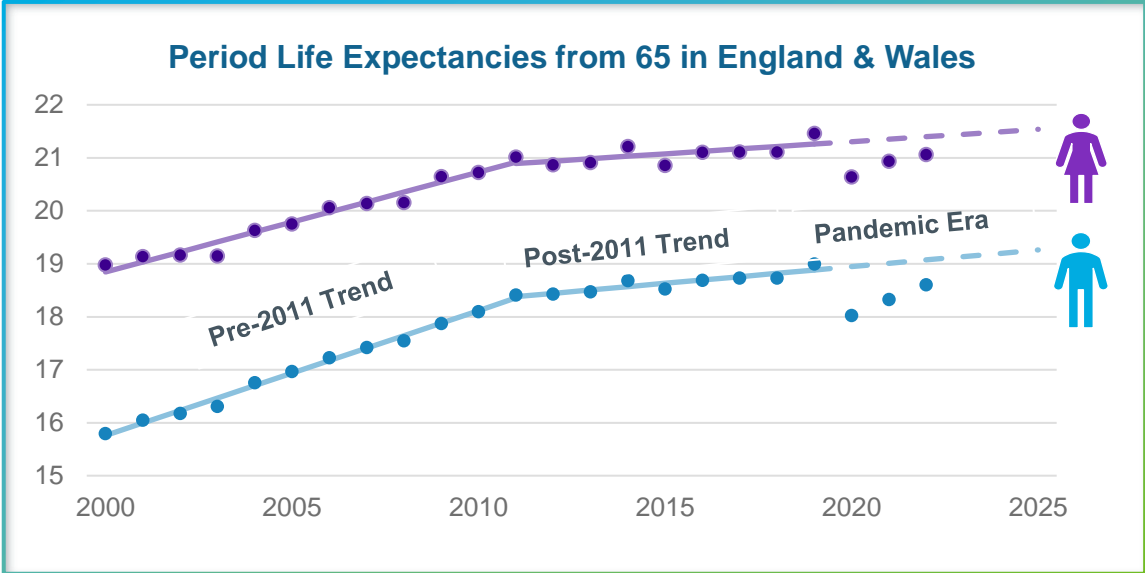
Key funding risks update

Longevity risk

Understanding demographic trends and setting appropriate mortality assumptions is key to managing longevity risk. The impact of an increase (or decrease) of 1 year of life expectancy increases (decreases) the funding position by around 4%. The Fund uses Club Vita longevity analytics which take account of the socio-economic profile and regional concentration of the Fund.

Recent longevity trends

- The Covid-19 pandemic led to increased deaths during 2020 and 2021. Excess deaths continued in 2022 (and into 2023) but the cause of excess deaths is less clear cut.
- The question facing pension funds now is: to what extent should we allow for this pandemic era data? Is this recent experience representative of the future or will it be short lived?
- Evidence for making an allowance for post-pandemic 'excess deaths' is now higher due to mortality experience in 2022 (and 2023).
- Club Vita estimates that during 2022, mortality was around 6% higher in England & Wales than we might have expected based on pre-Covid-19 mortality rates.
- However, the LGPS appears to be bucking the trend. Initial indications from Club Vita are that **excess mortality rates during 2022 were significantly lower for LGPS pensioners than for the overall population.**
- Analysis also shows that some areas of the UK have been hit harder during the pandemic and the post-pandemic period than others making it important to capture regional differences.



Source: CMI_2022 model. Life expectancies calculated using projected qx rates, using calibration data, with W_{2020} through W_{2022} set to 100% and S_x set to 0%.

What can the Fund do to manage longevity risk?

- The Fund's longevity assumptions will be reviewed at the 2025 formal funding valuation. As part of this review the Fund should consider its beliefs around future improvements.
- With increased uncertainty on the lasting impact of the pandemic and future longevity, the Fund may choose to maintain a funding cushion to help manage uncertain outcomes.

Climate risk

Climate change is now widely regarded as one of the main sources of risk for pension schemes, with potential implications for future inflation, investment returns and longevity. Scenario testing is an effective way for LGPS funds to test how resilient funding strategies are to climate risk.

2022 valuation scenario testing

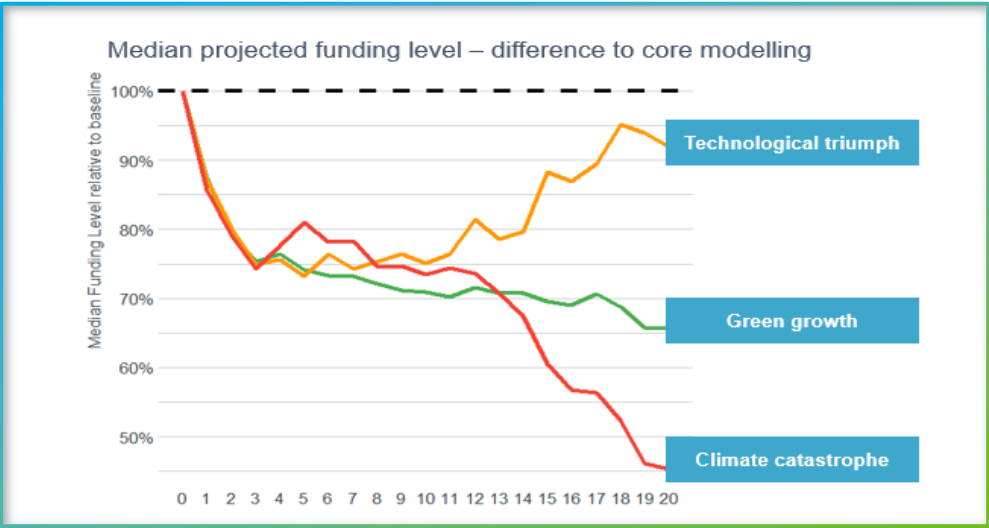
- At the 2022 valuations, scenarios were chosen representing broad possibilities for how the world might respond to climate change – ‘green revolution’, ‘delayed transition’ and ‘head in the sand’.
- Despite imposing significant stresses and big increases in volatility, the impact on risk metrics of these three scenarios was quite modest.

Importance of considering ‘bad’ outcomes

- Climate change has the potential to make extreme outcomes more likely. It is therefore particularly important to consider catastrophic outcomes when assessing the impact of climate risk.
- New, ‘extreme’, scenarios (complementing the existing scenarios) are now available allowing the Fund to assess the impact of catastrophic outcomes on funding strategies.
- One example of catastrophic outcomes is a failure of global food supply resulting in an estimated 18-36% loss in global crop losses. Ultimate outcome could be trade wars, asset shocks and mortality impacts.
- The graph illustrates the impact of three outcomes: ‘Green growth’ considering collaborative regeneration, ‘Technology triumph’ looking at a tech-driven recovery and ‘Climate catastrophe’ – no action taken.
- Modelling narrative-based downside risks helps to better align the Fund’s funding strategy with climate beliefs.

What can the Fund do to manage climate risk?

- Ahead of the valuation the Fund should review its approach managing climate risk, including setting objectives, capturing varying views and beliefs of all stakeholders and agreeing scenarios to model.
- Output from modelling (core plus extreme scenarios) can be used to aid funding strategy and to stress test key risk metrics



Employer covenant

Although the recent improvement in funding is good news, employers continue to face a wide variety of challenges from the evolving economic, demographic and regulatory environment. Higher inflation, interest rates and pay awards are all putting pressure on organisations.

The Fund should continue to monitor employer covenant as part of its risk management framework.

The key covenant risks for each employer are:



Page 153

- Ability and willingness to make contributions – are there competing demands on cash or any cashflow concerns?
- Likelihood of exit – are there any organisational or external pressures that may result in the employer exiting the LGPS?
- Outcome on exit – what is the outcome for the pension fund? Are there other secured or unsecured creditors?

Improved LGPS funding



Against the backdrop of improved funding positions funds may now be facing new questions and challenges from employers such as:

- Their approach to risk and investment strategy
- Employers exiting the scheme and possible exit credit payments
- Contribution flexibility

What can the Fund do to manage employer covenant risk?

- Whilst the recent improvement in funding will lessen the solvency risk posed to the Fund in potential outcomes on exit, it is important to consider all covenant risks to help manage other risks such as administration, cashflow and reputational.
- Ahead of the 2025 valuation, the Fund should monitor employer covenant risk to ensure appropriate risk categorisation and early engagement with employers.
- The Fund should consider its holistic approach to covenant and funding strategy, including consideration of how employer risk categorisation may impact funding strategy decisions.

2025 valuation planning

Preparing for the 2025 valuation

The analysis in the funding update section highlighted that the fundamental funding position of the Fund (amount of assets per £ of future pension to pay out) has not materially changed since the last valuation. However, there has been a significant change in the economic environment, which means that the Fund may now be facing new risks and opportunities at the 2025 valuation. The nature of these risks and opportunities will depend on the Fund’s beliefs about what the new economic environment means for future investment returns. These are further discussed in our [standalone paper¹](#) but can be broadly summarised as future returns will either be at a similar level to that assumed at the last valuation or, due to the change in interest rate environment, future returns will be higher.

Once the Fund has considered their beliefs in this area, with the valuation less than 12 months away, it should start to work through what these mean for its funding and investment strategy in the new economic environment. This will focus typically focus on four key areas:



1. Employer contributions



2. Investment strategy



3. Prudence levels



4. Surplus retention

Seek to balance employer affordability with long term sustainability

Preparing for the 2025 valuation

1. Employer contributions



Given the current cost pressures facing employers, there may be a desire for contribution rate reductions at the 2025 valuations. These expectations may also have been amplified by recent comments for employer advisors. However, the Fund will need to consider:

- **Difficulty of future increases** - The relative ease of reducing contributions versus increasing them. Even if a reduction is only for some short-term relief, it can quickly become the level that employer budgets could anchor on, meaning future required increases are harder to implement.
- **Long term cost of scheme** - What is a long-term stable cost of the LGPS, and are current contribution rates higher or lower than this? If an employer is already paying less than this cost, is it realistic to reduce further?
- **Intergenerational fairness** - Which generation are you being fair to by reducing contributions? The current generation have implicitly supported contribution rate increases over the last 20 years. Or does a reduction place too much risk of future contribution rate increases on future generations?
- **Stabilisation** – How does this interact with the Fund's contribution stability mechanism and are the employers committed to the long-term benefits of stability? Employers have been “underpaying” during the bad times during the last decade, whereas many may now be “overpaying” in the good times to deliver stable long-term contributions.

2. Investment strategy



The change in economic environment and your beliefs about future investment outlook will have a material impact on any changes you make to the investment strategy at the 2025 valuation.

For example, if you think your assets such as equities, property or infrastructure are not going to be able to achieve the market's current long-term risk-free rate of return (currently around 4% pa), should you be taking all that investment risk? The new economic and return environment may also offer opportunities to invest in different asset classes which haven't previously been considered.

Other aspects to consider with the investment strategy at the 2025 valuation are:

- Are there any opportunities to use the investment strategy to further increase the long-term stability of contribution rates for the long-term benefit of employers?
- Are there any opportunities to help reduce funding balance sheet volatility where it matters for a select group of employers?
- If contributions are reduced, what does this do to the cashflow profile of the Fund, and does it affect how the investments are used to manage cashflow?

Preparing for the 2025 valuation

3. Prudence levels



There is risk inherent with funding for a guaranteed pension amount which is inflation-linked and funded via investment in return-seeking assets. You can never have 100% certainty and must accept some element of risk in the funding strategy. The question is how much, i.e. how prudent are you going to be?

Each LGPS fund will have their own views on how prudent they want to be. And this can change over time. For example, at the 2019 valuation many Funds increased the prudence in the funding strategy in light of uncertainty around the benefit structure due to McCloud and the Cost Cap valuation.

At the 2025 valuation, the Fund should review the prudence levels in the funding strategy to explore:

- If the funding position remains strong, could this be used to increase prudence levels? This additional prudence could then be used to help manage any impact on contribution rates if there are poor funding outcomes in the future.
- Do the current market conditions, and increased levels of volatility and uncertainty, warrant mitigation and management by increasing prudence?

4. Surplus retention



An alternative approach to increasing prudence, is explicitly retaining any funding surplus before changes to the funding plan are granted (ie contribution rate reductions). For example, the Fund could:

- Only permit rate reductions if an employer is above a certain funding level threshold. The threshold would be higher than 100% funded.
- Require all open employers to pay at least their primary rate so future benefits are being adequately funded.
- Seek to retain a certain level of surplus in the long-term so both today's and future generations can benefit from the surplus. This would involve increasing the long-term funding target for employers to above 100%

Early engagement and planning for the 2025 valuation will be key to successful outcomes

What can the Fund do ahead of the 2025 valuation to prepare?

Risk management

Page 158
There may be individual sources of uncertainty and volatility in the funding plans that could warrant explicit management or mitigation via the funding and investment strategy. Examples could include:

- **Inflation** being higher and/or remaining elevated longer than expected (LGPS benefits are index-linked so this would increase the cost of benefits).
- **Salary increases** being higher than expected would increase the value of those benefits still linked to final salary at retirement. Conversely, lower than expected salary increases would reduce the Fund's contribution income and potentially affect the cashflow position and management of it.
- **Longevity** being materially different from current expectations. Higher than expected increases in longevity would put upward pressure on the Fund's liabilities. The Fund could also be exposed to a deterioration in longevity if it is symptomatic of an unhealthier population, which would increase the occurrence of ill-health retirements and death-in-service, both of which typically result in funding strains.

The Fund should consider the risks inherent in their funding and investment strategies and consider the implementation of risk management tools to seek to hedge some or all of the risk.

Key actions

- **Start planning** – it is important to start conversations with stakeholders well ahead of the valuation to plan effectively.
- **Monitor employer funding and covenant risks** and engage early with higher risk employers, or those with specific circumstances (eg approaching exit).
- **Seek to engage with all employers** in advance of the valuation to build up the appropriate messaging around funding in a surplus environment and any changes in policies.
- **Consider options for funding and investment**, such as prudence levels, maintaining a funding 'buffer' or changing investment risk (in addition to potential changes to contributions).
- **Carry out contribution modelling** for the secure, long-term employers to inform budget setting and financial planning

Summary and next steps

Risk monitoring and valuation planning best practice

As we approach the 2025 valuation, LGPS funds are now facing new challenges within a new economic environment. Planning and stakeholder engagement will be key to successful outcomes and funds should continue to refine their approach to managing risk within this evolving landscape.

Key considerations and next steps

Page 160



Funding: continue to monitor the funding position and understand the key drivers of change. Consider the messaging of the funding position and what this means for different stakeholders.



Review funding and investment strategy: carry out modelling of longer-term secure employers and consider investment strategy options and implications of climate risk.



Employers: monitor employer funding and seek to engage early with higher risk employer or those approaching exit. Consider employer covenant as a factor within the risk framework and where employer contribution flexibility may be afforded.



Risk monitoring and mitigation: consider the Fund's views on inflation, longevity climate risks, and whether additional prudence may be required in future assumptions or funding plans. Carry out modelling to understand the impact of future inflation (and potential contribution reductions) on the Fund's future cashflows.



Beliefs: identify your Fund's beliefs about what the current economic environment means for future investment returns and consider what that means for contribution rates, investment strategy, prudence levels and any surplus retention.



Surplus management: if you are in surplus, develop the Fund's policy on surplus management and consider the best use of funding levers at the 2025 valuation.

Valuation strategy and planning: before 31 March 2025

Page 161

Strategy

- Beliefs setting including views on economic outlook, climate & longevity
- Council contribution analysis and setting
- Assumptions analysis and setting
- Multiple investment strategies analysis

Stakeholders

- Committee knowledge assessment and training
- Employer engagement and ‘early warning’
- Covenant assessments
- Consult on changes to the FSS

Operational

- Agreeing timetable/plan
- Data cleansing
- Employer ‘housekeeping’ and database
- Policy/FSS reviews

Earlier planning allows more time for engagement, analysis and decision-making

Appendices

APPENDIX 1

Data

Membership data

The membership data underlying the figures in this report was supplied by the fund for the purpose of the valuation at 31 March 2022 and is summarised below:

31 March 2022				
	Number	Average age	Accrued benefit (£000)	Payroll (£000)
Actives	20,785	53.0	64,572	388,171
Deferred	39,040	53.1	47,094	
Pensioners	17,612	69.9	84,468	

The membership is assumed to evolve over time in line with the demographic assumptions described in the Funding Strategy Statement. Please see Appendix 4 for details of the roll-forward methodology which includes the estimated changes in membership data which have been allowed for.

Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 31 March 2024. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 31 March 2024. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Estimated cashflows (£000)	31 March 2022 to 31 March 2024
Employer contributions	178,018
Employee contributions	53,171
Benefits paid	218,237

Investment returns since the valuation at 31 March 2022

Investment returns are based on actual returns where available and index returns otherwise.

Actual / Index		From	To	Return
Whole fund	Actual	1 April 2022	31 March 2024	7.25%

APPENDIX 2

Assumptions

Financial assumptions

The financial assumptions used to calculate the liabilities are detailed below. For further details please see the Funding Strategy Statement.

Assumption	31 March 2022	31 March 2024
Funding basis	Ongoing	
Discount rate methodology	Expected returns on the Whole Fund strategy over 17 years with a 70% likelihood	
Discount rate (% pa)	4.6%	6.6%
Pension increase (% pa)	2.7%	2.4%
Salary increases* (% pa)	2.7%	2.4%

*Salary increases are assumed to be equal to pension increases, plus an additional promotional salary scale.

Demographic assumptions

Demographic assumptions are set out in the Funding Strategy Statement. All demographic assumptions, including longevity assumptions, are the same as at the most recent valuation at 31 March 2022.

Life expectancies from age 65, based on the fund’s membership data at 31 March 2022, are as follows. Non-pensioners are assumed to be aged 45 at that date.

Ongoing basis		
	Male	Female
Pensioners	22.3	24.9
Non-pensioners	23.0	26.3

APPENDIX 3

Technical information

Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2022. The results in this report are based on projecting the results of this valuation forward to 31 March 2024 using approximate methods. The roll-forward allows for

- estimated cashflows over the period as described in Appendix 1;
- investment returns over the period as described in Appendix 1;
- changes in financial assumptions as described in Appendix 2;
- estimated additional benefit accrual.

The CARE, deferred and pensioner liabilities at 31 March 2024 include a total adjustment of 11.4% to reflect the difference between actual September CPI inflation values (up to 30 September 2023) and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 31 October that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 31 March 2024 no allowance has been made for the effect of changes in the membership profile since 31 March 2022. The principal reason for this is that insufficient information is available to allow me to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual ones, may affect the reliability of the results. The fund should consider whether any such factors mean that the roll-forward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2022. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value, the accrued liabilities was lower then the value placed on those liabilities would increase. For example, if the real discount rate at 31 March 2024 was 1.0% pa lower, then the liabilities on the Ongoing basis at that date would increase by 19.0%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

APPENDIX 4

Economic Scenario Service (ESS)

The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class e.g. UK equities. This approach is also used to generate future levels of inflation (both realised and expected). The ESS is also designed to reflect the correlations between different asset classes and wider economic variables (e.g. inflation).

In the short-term (first few years), the models in the ESS are fitted with current financial market expectations. Over the longer-term, the models are built around our long-term views of fundamental economic parameters e.g. equity risk premium, credit-spreads, long-term inflation etc.

The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration). The following table shows the calibration (for a selection of asset classes) at 31 March 2024.

Page 166

Time period	Percentile	Asset class annualised total returns								Inflation/Yields		
		UK Equity	Developed World ex UK Equity	Emerging Markets Equity	Listed Infrastructure Equity	Private Equity	Property	Multi Asset Credit (sub inv grade)	Absolute Return Bonds (inv grade)	Inflation (CPI)	17-year real yield (CPI)	17-year yield
10 years	16 th	1.8%	1.5%	-0.5%	1.1%	0.9%	1.6%	4.0%	3.3%	1.0%	0.2%	3.2%
	50 th	7.8%	7.7%	8.0%	7.2%	11.8%	6.6%	5.9%	4.7%	2.6%	1.4%	4.6%
	84 th	13.8%	13.9%	16.5%	13.2%	22.7%	11.9%	7.7%	6.2%	4.2%	2.7%	6.3%
20 years	16 th	3.3%	3.1%	1.7%	2.8%	4.0%	3.0%	4.8%	3.2%	0.8%	-0.5%	1.6%
	50 th	7.9%	7.7%	8.0%	7.3%	11.7%	6.7%	6.4%	4.8%	2.4%	1.2%	3.5%
	84 th	12.4%	12.5%	14.5%	11.9%	19.5%	10.7%	8.0%	6.6%	4.0%	2.9%	6.1%
40 years	16 th	4.0%	3.9%	3.0%	3.4%	5.6%	3.4%	4.5%	2.6%	0.8%	-0.7%	1.2%
	50 th	7.6%	7.4%	7.7%	7.0%	11.3%	6.4%	6.2%	4.5%	2.1%	1.2%	3.4%
	84 th	11.2%	11.1%	12.6%	10.8%	17.1%	9.8%	8.3%	6.8%	3.7%	3.1%	6.2%
	Volatility (1yr)	17%	18%	25%	18%	30%	15%	6%	3%	3%	-	-

APPENDIX 5

Reliances and limitations

This paper is addressed to Oxfordshire County Council as Administering Authority to the Oxfordshire Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of discussing funding and risk monitoring ahead of the 2025 valuation. It has not been prepared for any other purpose and should not be used for any other purpose.

The results in this paper are wholly dependent on the valuation data provided to us for the 2022 valuation and the assumptions that we use in our calculations. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2022 has been in line with our expectations.

The data used in this exercise is summarised in Appendix 1. Data provided for the purposes of the formal valuation at 31 March 2022 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is. The data is the responsibility of the Administering Authority, and the results rely on the data.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

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- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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